

1019
House- Interstate & Foreign
NATIONAL CAPITAL AIRPORTS

Y4
In 8/4
N 21/12
PT. 1
GOVERNMENT

Storage

87 Y4
In 8/4
21/12
HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

H.R. 7399

A BILL TO CREATE THE NATIONAL CAPITAL AIRPORTS CORPORATION, TO PROVIDE FOR THE OPERATION OF THE FEDERALLY OWNED CIVIL AIRPORTS IN THE DISTRICT OF COLUMBIA OR ITS VICINITY BY THE CORPORATION, AND FOR OTHER PURPOSES

H.R. 7398

A BILL TO AMEND THE ACT OF OCTOBER 9, 1940 (50 STAT. 1030, 1039), IN ORDER TO INCREASE THE PERIODS FOR WHICH AGREEMENTS FOR THE OPERATION OF CERTAIN CONCESSIONS MAY BE GRANTED AT THE WASHINGTON NATIONAL AIRPORT, AND FOR OTHER PURPOSES

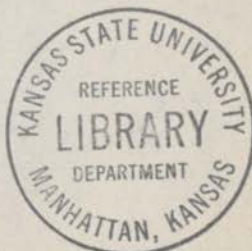
JULY 18 AND 19, 1961

Printed for the use of the
Committee on Interstate and Foreign Commerce



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1961

74134



AY
7/8 at.
51/12 W

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

OREN HARRIS, Arkansas, *Chairman*

JOHN BELL WILLIAMS, Mississippi

PETER F. MACK, Jr., Illinois

KENNETH A. ROBERTS, Alabama

MORGAN M. MOULDER, Missouri

HARLEY O. STAGGERS, West Virginia

WALTER ROGERS, Texas

SAMUEL N. FRIEDEL, Maryland

JOHN J. FLYNT, Jr., Georgia

TORBERT H. MACDONALD, Massachusetts

GEORGE M. RHODES, Pennsylvania

JOHN JARMAN, Oklahoma

LEO W. O'BRIEN, New York

JOHN E. MOSS, California

JOHN D. DINGELL, Michigan

JOE M. KILGORE, Texas

PAUL G. ROGERS, Florida

ROBERT W. HEMPHILL, South Carolina

DAN ROSTENKOWSKI, Illinois

JAMES C. HEALEY, New York

JOHN B. BENNETT, Michigan

WILLIAM L. SPRINGER, Illinois

PAUL F. SCHENCK, Ohio

J. ARTHUR YOUNGER, California

HAROLD R. COLLIER, Illinois

MILTON W. GLENN, New Jersey

SAMUEL L. DEVINE, Ohio

ANCHER NELSEN, Minnesota

HASTINGS KEITH, Massachusetts

WILLARD S. CURTIN, Pennsylvania

ABNER W. SIBAL, Connecticut

VERNON W. THOMSON, Wisconsin

PETER H. DOMINICK, Colorado

W. E. WILLIAMSON, *Clerk*

KENNETH J. PAINTER, *Assistant Clerk*

Professional Staff

ANDREW STEVENSON

KURT BORCHARDT

SAM G. SPAL

MARTIN W. CUNNINGHAM

SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS

JOHN BELL WILLIAMS, Mississippi, *Chairman*

HARLEY O. STAGGERS, West Virginia

SAMUEL N. FRIEDEL, Maryland

TORBERT H. MACDONALD, Massachusetts

JOHN JARMAN, Oklahoma

WILLIAM L. SPRINGER, Illinois

HAROLD R. COLLIER, Illinois

SAMUEL L. DEVINE, Ohio



CONTENTS

Text of—	Page
H.R. 7398.....	63
H.R. 7399.....	1
Report of—	
Bureau of the Budget on—	
H.R. 7398.....	63
H.R. 7399.....	7
Commerce Department on H.R. 7398.....	64
Comptroller General on H.R. 7399.....	9
General Services Administration on H.R. 7398.....	64
Interior Department on H.R. 7399.....	8
Labor Department on H.R. 7399.....	9
Statement of—	
Brown, Arch B., Attorney, Office of General Counsel, General Accounting Office.....	41
Cohen, Burton, Airway Hotel, Inc., Miami, Fla.....	66
Dean, Alan L., Assistant Administrator for Management Services, Federal Aviation Agency.....	14, 55
Durand, J. D., assistant general counsel, Air Transport Association of America.....	45
Fascell, Hon. Dante B., a Representative in Congress from the State of Florida.....	65
Halaby, Hon. N.E., Administrator, Federal Aviation Agency.....	14
Hobbs, G. Ward, Director, Bureau of National Capital Airports, Federal Aviation Agency.....	14, 55
Howard, Daggett H., General Counsel, Federal Aviation Agency.....	14, 55
Munson, David M., Deputy Director, Bureau of National Capital Airports, Federal Aviation Agency.....	14
Randall, Frederick A., Supervisory Accountant, Civil Accounting and Auditing Division, General Accounting Office.....	41
Savage, Simmons B., Jr., Associate Director, Accounting and Auditing Policy Staff, General Accounting Office.....	41
Seidman, Harold, Acting Assistant Director, Office of Management and Organization, Bureau of the Budget.....	14
Additional information submitted for the record by—	
Federal Aviation Agency:	
Distribution of aircraft arrivals and departures at Midway and O'Hare Airports in Chicago, calendar years 1956-60, total aircraft arrivals and departures.....	34
Information on payments received by the Government for the ground transportation service contract at Washington National Airport.....	30
Letter from James T. Pyle requesting legislation.....	64
Rank order of Washington National Airport, calendar year 1960.....	31



NATIONAL CAPITAL AIRPORTS

TUESDAY, JULY 18, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 1334, House Office Building, Hon. John Bell Williams (chairman of the subcommittee) presiding.

Mr. WILLIAMS. The committee will be in order, please.

The Subcommittee on Transportation and Aeronautics is meeting this morning for hearings on H.R. 7399, a bill to create a National Airports Corporation introduced at the request of the Administrator of the Federal Aviation Agency. To complete the record, the bill together with Agency reports will be included at this point in the record.

(H.R. 7399 and related reports follow:)

[H.R. 7399, 87th Cong., 1st sess.]

A BILL To create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Capital Airports Corporation Act of 1961".

Sec. 2. There is hereby created as an agency and instrumentality of the United States, subject to the direction of the Administrator, Federal Aviation Agency (hereinafter, "Administrator"), a body corporate to be known as the National Capital Airports Corporation (hereinafter, "Corporation"). The Corporation shall operate the Washington National Airport and such other federally owned civil airports in the District of Columbia or its vicinity as may be transferred to the Corporation under this Act.

Sec. 3. The Corporation shall have perpetual succession unless sooner dissolved by Act of Congress.

Sec. 4. The Corporation shall have its principal offices in the District of Columbia or its vicinity, and at such other places as the Administrator may prescribe, and shall be deemed, for purposes of venue in civil actions, to be a resident of each of the jurisdictions in which such offices have been established.

Sec. 5. In the exercise and performance of its powers and duties under this Act, including the determination of rates and charges for use and services, the Corporation shall consider, among other things, that it is in the public interest to operate any airport transferred to it by or under this Act on a self-sustaining business enterprise basis, consistent with sound commercial practice and with due regard to all costs and interests on the Government's investment. The Corporation is accordingly authorized, except as provided in sections 12 and 13, to charge any Government agency for space, facilities, and services at rates based on the actual cost to the Corporation of providing such space, facilities, and services, but in no event greater than the rates charged to the public: *Provided*, That the Corporation and the using agency may agree that the agency shall pay to the Corporation, for the aggregate of the space, facilities, and services to be

provided during any fiscal year, a lump sum equal to the agreed estimated amount of the aggregate of the individual charges that would otherwise have been incurred by the agency.

Sec. 6. To carry out the specific powers herein authorized, the Corporation shall have the following general powers:

- (1) To adopt, alter, and use a corporate seal;
- (2) To adopt, amend, and repeal bylaws, rules, and regulations governing the conduct of its business and the performance of the powers and duties granted to or imposed upon it by law;
- (3) To sue and be sued in its corporate name;
- (4) To have, in the payment of debts out of bankrupt, insolvent, or decedent's estates, the priority of the United States;
- (5) To acquire, by purchase, lease, condemnation, or in any other lawful manner, any property, real, personal, or mixed, tangible or intangible, or any interest therein; to hold, maintain, use, and operate the same; to provide services in connection therewith, and to charge therefor; and to sell, lease, or otherwise dispose of the same at such time, in such manner, and to the extent deemed necessary or appropriate by the Administrator for the conduct of its business and to carry out the purposes of the Corporation; *Provided*, That the authority herein granted shall not include authority for the acquisition of office space in buildings for use by the Corporation, suitable accommodations for which shall be provided by the Administrator of General Services; *And provided further*, That, except for airport and airway property and technical equipment used for special purposes of the Corporation, such disposition shall be made in accordance with the Federal Property and Administrative Service Act of 1949, as amended (63 Stat. 377; 40 U.S.C. 471). Proceedings for condemnation shall be instituted pursuant to the provisions of the Act approved August 1, 1888, as amended (25 Stat. 357; 40 U.S.C. 257), and the Act approved June 25, 1948 (62 Stat. 869; 28 U.S.C. 1403). The Act approved February 26, 1931, as amended (46 Stat. 1421; 40 U.S.C. 258a), shall be applicable to any such proceeding. All real property acquired under this Act shall be subject to the provisions of section 355 of the Revised Statutes, as amended (40 U.S.C. 255). However, nothing in this Act shall modify, alter, or terminate existing agreements between the United States and the Commonwealth of Virginia made pursuant to section 107 of the Act approved October 31, 1945 (59 Stat. 553; D.C. Code, sec. 1-101);
- (6) To construct, operate, and maintain buildings, facilities, and other improvements, including access roads, as may be required to meet the needs of the Corporation, and to charge for the use of the foregoing;
- (7) To transfer to any Federal or State agency under mutually acceptable terms and conditions any access road to the additional Washington airport authorized by Public Law 762, Eighty-first Congress (64 Stat. 770), which transfer any Federal agency is hereby authorized to accept. Any agency to which an access road or portion thereof may be transferred under this subsection may provide for the operation and maintenance of such road under such regulations as it may prescribe.
- (8) To accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes herein authorized;
- (9) To enter into and perform such contracts, leases, cooperative agreements, or other transactions as may be necessary in the conduct of its business and on such terms as it may deem appropriate, with any agency or instrumentality of the United States, or with any State, district, or possession, or with any political subdivision thereof, or with any person, firm, association, or corporation;
- (10) To appoint, in accordance with the civil service and classification laws, such officers, attorneys, agents, and employees, to vest them with such powers and duties, and to pay such compensation to them for their services, as may be required by law; to employ experts and consultants or organizations thereof, as authorized by section 15 of the Act of August 2, 1946 (60 Stat. 810; 5 U.S.C. 55a), at rates not to exceed \$100 per diem for individuals;
- (11) To determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed,

and paid, subject to the provisions of this Act and other provisions of law specifically applicable to Government corporations;

(12) To execute, in accordance with its bylaws, rules, or regulations, all instruments necessary or appropriate in the exercise of any of its powers;

(13) To settle and adjust claims held by it against other persons or parties and by other persons or parties against the Corporation;

(14) To take such action as may be necessary or appropriate to carry out the powers herein or hereafter specifically conferred upon it.

SEC. 7. The Corporation shall have and may exercise such specific powers, in addition to those elsewhere conferred in this Act, as may be deemed necessary to protect, operate, improve, and maintain its airports and other properties, and appurtenances thereto, as business enterprises and public service facilities.

SEC. 8. (a) The management of the Corporation shall be vested in a General Manager (hereinafter, "Manager") who, subject to the civil service laws, shall be appointed by and shall be subject to the direction of the Administrator. The Administrator is authorized to fix the compensation of the Manager at a rate not to exceed the maximum paid to Directors of Bureaus of the Federal Aviation Agency.

(b) Subject to the standards and procedures of section 505 of the Classification Act of 1949, as amended (63 Stat. 959; 5 U.S.C. 1111), the Administrator is authorized to place in the Corporation not to exceed five positions in grades 16, 17, and 18 of the General Schedule established by such Act. Such positions shall be in addition to (1) the number of positions authorized to be placed in such grades by said section 505, and (2) the number of positions authorized by section 302 (j) of the Federal Aviation Act of 1958 (72 Stat. 747).

(c) There is hereby established the Advisory Board of the National Capital Airports Corporation which shall be composed of five members appointed by the Administrator without regard to civil service laws and who shall continue in office as designated by the Administrator at the time of appointment through the last day of the first, second, third, fourth, and fifth calendar years, respectively, following the enactment of this Act. A majority of the Advisory Board shall be from private life and not less than one such member shall be experienced in air carrier operations. Upon the expiration of his term of office a member shall continue to serve until his successor is appointed. The Advisory Board shall meet at the call of the Administrator or the Manager, who shall require it to meet no less often than once each six months; shall review the general policies of the Corporation, including but not limited to its policies in connection with rates and charges for its services, design, and construction of facilities, and the administration of existing facilities, and shall advise the Administrator and the Manager with respect thereto. The members of the Board who are in the executive branch of the Government shall receive no additional compensation for their services on the Board. The members from private life shall each receive for his services a rate not in excess of the per diem equivalent of the maximum rate of grade 18 of the General Schedule of the Classification Act of 1949, as amended. All members of the Board shall be reimbursed in accordance with the Travel Expense Act of 1949, as amended (63 Stat. 166; 5 U.S.C. 835), for travel, subsistence, and other necessary expenses incurred by them in the performance of duties vested in the Board.

SEC. 9. (a) There is hereby established a National Capital Airports Fund (hereinafter, "fund"). The capital of the fund shall consist of—

(1) such amounts as may be advanced to the fund upon the request of the Manager from appropriations made for that purpose;

(2) the unexpended balances of any appropriations available for construction, operation, and maintenance of the Washington National Airport as may be determined by the Administrator and approved by the Director of the Bureau of the Budget;

(3) such of the unexpended balances of appropriations available for use by the Federal Aviation Agency for the construction, development, operation, or maintenance of any airport which is, or may be transferred to the Corporation under this Act, as may be determined by the Administrator and approved by the Director of the Bureau of the Budget; and

(4) the value of the assets of any airport that is, or may be, transferred to the Corporation under this Act, less its liabilities, as of the effective

date of its transfer to the Corporation; the value of the assets shall be determined by the Administrator subject to the approval of the Director of the Bureau of the Budget after survey and appraisal, taking into consideration original cost, less depreciation, the usable value to the airport if clearly less than cost, obsolete and unusable facilities and equipment, and other reasonably determinable factors which would reduce the value of the assets of the airport. Such determination shall not be made by the Administrator until he shall have given notice of his proposed determination to the aeronautical users and other tenants of the airport and afforded them an opportunity to be heard thereon.

(b) Unless the Congress otherwise directs, the Corporation shall pay into the Treasury of the United States as miscellaneous receipts at the close of each fiscal year, interest on the capital of the fund as follows:

(1) Interest shall be paid on that portion of the capital of the fund which the Administrator determines to be the equivalent to the local share that would have been supplied by the project sponsor had the airports been built and developed in their entirety subsequent to the enactment of the Federal Airport Act and under its provisions by a local public agency with maximum Federal grants-in-aid.

(2) The interest rate on the initial portion of the fund shall be determined by the Secretary of the Treasury at the time the fund is established, taking into consideration the average yields to maturity on marketable obligations of the United States, with a maturity date of fifteen years or more, outstanding at the beginning of the fiscal year in which the expenditures were made for the assets transferred to the fund pursuant to subsection (a) of this section. The interest rate so established shall remain in effect for so long as any part of the amount to which such interest applies remains in the capital of the fund.

(3) The interest rate on the subsequent portion of capital advances to the fund on which interest is to be paid shall be determined by the Secretary of the Treasury at the time such advance is made, taking into consideration the average yield to maturity on outstanding marketable obligations of the United States having a maturity date of fifteen or more years. Such interest rate shall remain in effect for so long as any part of such advance remains in the capital of the fund.

(c) Whenever any capital in the fund is determined by the Administrator to be in excess of its current needs, such capital shall be credited to the appropriation from which advanced, where it shall be held for future advances. The capital of the fund shall be considered reduced by the net amount of such credits. Appropriations or other funds received shall be used solely for the purposes of the Corporation as set forth in the Act. Whenever it is determined that the appropriation contains funds in excess of the needs of the Corporation the appropriation shall be reduced by an amount equivalent to such excess.

(d) Receipts from operations under this Act shall be credited to the fund. The fund shall be available for payment of all expenditures of the Corporation under this Act.

(e) Such sums as may be required to carry out the purposes of this Act are authorized to be appropriated without fiscal year limitations. Advances shall be made to the fund from the appropriations made therefor when requested by the manager.

(f) Appropriations are hereby authorized for payment of such amounts as may be shown in the annual budget program of the Corporation as necessary to cover actual losses of prior years sustained in the conduct of its activities under this fund. Amounts appropriated to the fund under authority of this subsection shall not be added to the amount of advances and shall not require payment of interest under subsection (b) of this section.

SEC. 10. The Corporation is hereby authorized to use its funds from whatever sources derived, in the exercise of its corporate powers and functions: *Provided*, That the Corporation shall undertake no new types of activities, or single capital projects in excess of \$1,000,000, not included in the annual budget program prescribed by section 102 of the Government Corporation Control Act of 1945, as amended (59 Stat. 598; 31 U.S.C. 847).

SEC. 11. The Corporation shall contribute, from the respective appropriation or fund used for payment of salaries, pay, or compensation, to the civil service retirement and disability fund, a sum as provided by section 4(a) of the Civil Service Retirement Act, as amended (70 Stat. 747; 5 U.S.C. 2254 (a)), except

that such sum shall be determined by applying to the total basic salaries (as defined in that Act) paid to the employees of the Corporation covered by that Act, the per centum rate determined annually by the Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in said section 4(a). The Corporation shall also contribute at least quarterly from such appropriation or fund, to the employees' compensation fund, the amount determined by the Secretary of Labor to be the full cost of benefits and other payments made from such fund on account of cases arising from injuries to its employees which may hereafter occur. Such Corporation shall also pay into the Treasury as miscellaneous receipts that portion of the cost of administration of the respective funds attributable to its employees, as determined by the Civil Service Commission and the Secretary of Labor. The Corporation shall not be liable under this section (1) for contributions with respect to the service of any officer or employee for any period prior to the effective date of this section, and (2) for payments for administrative cost with respect to any period prior to such effective date.

Sec. 12. All the facilities of any airport under the jurisdiction of the Corporation which are analogous to the facilities developed with Federal aid, pursuant to the Federal Airport Act (60 Stat. 170; 49 U.S.C. 1101), by comparable public airports in the State in which that airport is located (or in a State adjacent to the District of Columbia as the case may be), and all those facilities usable for the landing and takeoff of aircraft, including aids to navigation, will at all times be available without charge to the United States for use, in common with other aircraft, by aircraft used or operated by or for the Department of Defense: *Provided*, That the Administrator may curtail or limit the use of the facilities of the Corporation by aircraft of the Department of Defense if such use, in his judgment, unreasonably impairs or interferes with the use of those facilities by civil aircraft.

Sec. 13. The Corporation will furnish to any agency of the Government, without charge (except for light, heat, janitor service, and similar facilities and services at the reasonable cost thereof), such space in airport buildings as may be reasonably adequate for use in connection with any airport traffic control activity, or weather reporting activity and communications activity related to airport traffic control, which such agency and the Administrator may deem it necessary to establish and maintain at the airport.

Sec. 14. No individual, association, partnership, or corporation shall use the name of any airport operated by the Corporation, or any name similar thereto, as the name or a part thereof under which he or it does business, without the consent of the Corporation.

Sec. 15. (a) There is hereby transferred to the Corporation all property, real, personal, and mixed, now operated by the Administrator as the Washington National Airport, together with all sums due or to become due to the United States by virtue of any service rendered or facilities furnished in connection with the operation of the Washington National Airport, or under any contract executed by or on behalf of the Administrator in connection with such activities, together with the tract of land described in the Act of June 29, 1940 (54 Stat. 686; D.C. Code, sec. 7-1301), as the Washington National Airport (except that portion of such tract of land added to the Mount Vernon Memorial Highway by Executive Order Numbered 9851 of May 15, 1947), and those parcels of land in Arlington County, Virginia, condemned by proceedings miscellaneous numbered 618 and miscellaneous numbered 621 in the United States District Court for the Eastern District of Virginia, Alexandria Division, together with all the structures, improvements, and other facilities located thereon, except the building designated as "T-7" located on Abingdon Drive on the airport, now used and operated by the Administrator of General Services. The Corporation shall assume the performance on behalf of the United States of all existing contracts heretofore executed by, or on behalf of, the Administrator in connection with the care, operation, maintenance, and protection of the Washington National Airport, and shall further assume all liabilities of the United States in connection with said airport. The Corporation shall assume and be bound by all the terms of existing interagency arrangements regarding the use, occupancy, care, operation, and maintenance of real and personal property at the airport, including all provisions relating to allocation of costs related to such property.

(b) The Administrator is authorized and directed to transfer to the Corporation, effective on such date as the Administrator shall specify, any airport or

other property heretofore or hereafter acquired or constructed for use as, in connection with, or to serve, any airport (including any interest in real, personal, and mixed property, obligations and rights under contracts, and accounts receivable) which the Administrator is or may be authorized to construct, or acquire and operate in the District of Columbia or its vicinity, and he may provide for partial transfers where separable parts or facilities become substantially operational at different times.

SEC. 16. The Corporation is authorized to make payments to State and local governments in lieu of property taxes upon real property which was subject to State and local taxation before acquisition by the United States or the Corporation. Such payments may be in the amounts, at the times, and upon the terms the Corporation deems appropriate, but the Corporation shall be guided by the policy of making payments not in excess of the taxes which would have been payable for such property in the condition in which it was acquired, except in cases where special burdens are placed upon the State or local government by the activities of the Corporation or its agents. The Corporation, its property, franchises, and income are hereby expressly exempted from taxation in any manner or form by any State, county, municipality, or any subdivision thereof.

SEC. 17. (a) The Manager shall have power to make and amend such reasonable rules or regulations as he may deem necessary in the interest of public safety, or to carry out the purposes of this Act, governing the protection of property and the conduct of persons on premises within the jurisdiction of the Corporation.

(b) Any person who violates any rule or regulation prescribed under this section shall be guilty of a misdemeanor, and, upon conviction thereof, shall be fined not more than \$500 or imprisoned not more than six months or both.

SEC. 18. (a) Employees of the Corporation appointed to protect life and property on areas within the jurisdiction of the Corporation, when designated by the Manager are hereby authorized and empowered (1) to arrest under a warrant within the limits of the jurisdiction of the Corporation any person accused of having committed within the jurisdiction of the Corporation any offense against the laws of the United States, or against any rule or regulation prescribed pursuant to this Act; (2) to arrest without warrant any person committing any such offense within the jurisdiction of the Corporation, in their presence; or (3) to arrest without warrant within the jurisdiction of the Corporation, any person who they have reasonable grounds to believe has committed a felony within the jurisdiction of the Corporation.

(b) Any individual having the power of arrest as provided in the subsection (a) of this section may carry firearms or such other weapons as the Manager may direct or by regulation may prescribe.

(c) The Secretary of the Interior may at the request of the Manager assign members of the United States Park Police to patrol any area of the airports. Any member of the United States Park Police while so engaged shall be subject to the supervision and direction of the Secretary of the Interior and is authorized to make arrests within the areas under the jurisdiction of the Corporation for the same offenses and in the same manner and circumstances as are provided in this section.

(d) The officer on duty in command of those employees of the Corporation designated as provided in this section may accept deposit of collateral from any person charged with the violation of any rule or regulation prescribed under this Act, or the Act of March 17, 1948, as amended (62 Stat. 81), for appearance in court or before the appropriate United States Commissioner; and such collateral shall be deposited with the clerk of the United States court or with the appropriate United States Commissioner.

SEC. 19. The right to alter, amend, or repeal this charter is expressly reserved.

SEC. 20. (a) Section 101 of the Government Corporation Control Act of 1945, as amended (59 Stat. 597; 31 U.S.C. 846), is hereby amended by inserting therein the words "National Capital Airports Corporation".

(b) The Act of June 29, 1940 (54 Stat. 686; D.C. Code, sec. 7-1301), as amended by the Act of May 15, 1947 (61 Stat. 94; D.C. Code, sec. 7-1304), and section 1402(f) of the Federal Aviation Act of 1958 (72 Stat. 807), is further amended by deleting sections 2, 3, 4, 5, and 6 thereof.

(c) The Act of October 9, 1940, making supplemental appropriations for the support of the Government for the fiscal year ending June 30, 1941, and for other purposes (54 Stat. 1030), is amended by deleting the proviso in the first

paragraph of the section in title I, headed "Department of Commerce, Administrator of Civil Aeronautics".

(d) Section 3 of the Act of March 17, 1948 (62 Stat. 81) is amended by striking out "and" immediately preceding "Fairfax", and inserting ", and Loudoun" immediately after "Fairfax".

(e) The Act of September 7, 1950 (64 Stat. 770; D.C. Code, sec. 7-1401), shall be repealed, effective the date as specified by the Administrator when jurisdiction of the airport to be constructed under its terms shall be transferred to the Corporation.

(f) All laws or parts of laws, inconsistent with this Act are repealed to the extent of such inconsistency. Nothing in this Act shall be construed to exempt the Corporation or its operations from the application of the Act of June 25, 1948 (62 Stat. 869, 984; 28 U.S.C. 507(b), 2679), or of section 367 of the Revised Statutes (5 U.S.C. 316).

SEC. 21. If any provisions of this Act or the application of such provision to any person or circumstances shall be held invalid, the remainder of the Act, and the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

SEC. 22. This Act shall take effect upon its enactment.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., July 14, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter of June 12, 1961, requesting the views of the Bureau of the Budget on H.R. 7399, a bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes.

H.R. 7399 provides for the creation of a National Capital Airports Corporation which would be subject to the direction of the Administrator of the Federal Aviation Agency. The Corporation would operate the Washington National Airport and such other federally owned civil airports in the District of Columbia or its vicinity as may be transferred to the Corporation. It is expected that the new International Airport at Chantilly, Va., would be transferred to the Corporation.

The bill confers upon the Corporation the powers and financial flexibility customarily accorded, and necessary for the operations of, Government corporations. The bill also applies to the Corporation the types of controls which the Congress has in the past determined are best suited to business activities.

The Corporation would be required to operate on a "self-sustaining business enterprise basis, consistent with sound commercial practice." Its rates and charges would have to be established with due regard to all operating costs and interest payments which would be required on the Government's investment. The management of the Corporation would be vested in a General Manager, who would be appointed by, and subject to the direction of the Administrator of the Federal Aviation Agency, and there would be established a five-member Advisory Board to review the general policies of the Corporation and advise the Manager and the Administrator with respect thereto.

The Bureau of the Budget strongly favors the objective of making the Washington National Airport and the new International Airport self-sustaining business enterprises. We believe that the use of the corporate form of organization and financing provided in H.R. 7399 will greatly facilitate the accomplishment of that objective.

Under present law, the Washington National Airport has no authority to use its receipts, must obtain all of its funds from annual appropriations, cannot sue or be sued in its own name, and is generally subject to the provisions of law with respect to budget, accounts, audit, expenditure of funds and property applicable to Government agencies which do not conduct business-type operations and whose costs are borne by the general taxpayer. Many of those laws are not suitable to the most effective operation of a commercial enterprise such as the airport, and we believe the application to the airport of controls and authorities especially designed for Federal business-type activ-

ities is necessary and would be most advantageous. Furthermore, the users of the airport's services will find it difficult to distinguish between the airport and other wholly tax-supported Government services so long as it is not organized as a business enterprise and is not dependent on revenues to finance its operations. While the National Capital Airports Corporation would have to obtain appropriations to finance new major capital expenses, it would be authorized to utilize its revenues for the payment of all expenditures incurred in carrying out its budget program as approved by the Congress.

There has been an increasing awareness, both in the Congress and the executive branch, that forms of organization, financial procedures and controls applied to traditional Government activities are not necessarily suitable to commercial operations such as civil airports. That view was reflected in the enactment in 1945 of the Government Corporation Control Act which provided for new types of controls adapted to the needs of Federal business operations. In reporting on the Control Act, the Senate Committee on Banking and Currency recognized that "the corporate form of organization is a useful device for carrying out a variety of Government services and programs, of a continuing as well as emergency character" (S. Rept. 694, 79th Cong., 1st sess.).

The Bureau of the Budget believes that proposals to establish new Government corporations should be subject to scrupulous analysis and review in terms of the recognized criteria for the use of the corporate device which were set forth in the President's 1948 budget message (pp. M57-62). Our analysis indicates that the proposal embodied in H.R. 7399 is wholly consistent with those criteria. We are convinced that enactment of H.R. 7399 would benefit the users of the airports and the taxpayer by placing the operations of the airports on a sound business basis without in any way weakening essential congressional controls.

The Bureau of the Budget urges favorable consideration of H.R. 7399.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative References.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington D.C., July 18, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR MR. HARRIS: Your committee has requested a report on H.R. 7399, a bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes.

We have no objection to the enactment of the bill.

The primary purpose of H.R. 7399 is to create the National Capital Airports Corporation to operate the Washington National Airport and such other federally owned civil airports in the District of Columbia or vicinity as may be transferred to it on a self-sustaining enterprise basis.

There is one provision in the bill that may affect this Department. It is subsection 6(7). This subsection empowers the National Capital Airports Corporation to transfer its jurisdiction over access roads to the additional Washington Airport authorized by Public Law 762, 81st Congress (64 Stat. 770), to any Federal or State agency. However, any transfer made under the authority of this subsection must conform to mutually acceptable terms and conditions arrived at by transferor and transferee.

Subsection 18(c) does affect this Department. It provides that the Secretary of the Interior may at the request of the Manager of the Corporation assign members of the U.S. Park Police to patrol any area of the airports. Although a member of the U.S. Park Police may be assigned to this duty, the bill further provides that he is at all times subject to the supervision and direction of the Secretary of the Interior.

The Bureau of the Budget has advised that it has no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

JOHN M. KELLEY,
Assistant Secretary of the Interior.

U.S. DEPARTMENT OF LABOR,
Washington, July 26, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN HARRIS: This is in further response to your request for the views of this Department on H.R. 7399, a bill to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes.

Section 11 of the bill contains the only provisions which are pertinent to any program administered by this Department. It would require the proposed Corporation to make quarterly contributions to the Employees' Compensation Fund for the full cost of benefits paid from such fund on account of injuries to employees of the Corporation. It would also require payment into the Treasury of the United States as miscellaneous receipts the cost of administration of benefits attributable to such cases.

As you know, the Federal Employees' Compensation Act was amended during the 86th Congress by the act of September 13, 1960 (Public Law 86-767, 74 Stat. 906). As a result of the passage of these amendments, the proposed Corporation would be required to make payments to the Employees' Compensation Fund and to the Treasury under the Federal Employees' Compensation program. The special provisions contained in the bill also requiring such payments are therefore unnecessary. Under the circumstances, we would suggest that the bill be modified to eliminate this duplication.

Except for this suggested modification, we have no comment to offer with respect to this proposal and would have no objection to its enactment.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Yours sincerely,

ARTHUR J. GOLDBERG,
Secretary of Labor.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 17, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives.*

DEAR MR. CHAIRMAN: Further reference is made to your letter of June 12, 1961, acknowledged on June 13, requesting the comments of the General Accounting Office concerning H.R. 7399, 87th Congress, 1st session, entitled "A bill to create the National Capital Airports Corporation, to provide for the operation of the federal owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes."

The proposed legislation would create a wholly owned Government corporation within the Federal Aviation Agency to operate the Washington National Airport, the Dulles International Airport, now under construction at Chantilly, Va., and any other civil airports which the Federal Government may hereafter acquire in the District of Columbia or its vicinity. The Corporation would be vested with the powers and responsibilities usual to Government corporations, including permanent authority to finance its operations with receipts generated by airport activities. At present, the Washington National Airport, which is the only federally owned civil airport now operating in the vicinity of the District of Columbia, is a regularly established Government organizational unit of the Federal Aviation Agency with financing provided by the Congress through regular budgetary and appropriation processes. Receipts of the airport, after certain adjustments, are deposited in the Treasury as miscellaneous receipts.

The Administrator, in transmitting the draft bill to the Congress (Congressional Record, June 17, 1961; p. 9021) stated:

"The primary purpose of the legislation is to place the operations of the federally owned civil airports in the Washington metropolitan area on a sound business basis so that they may better serve the traveling public, the airlines, and other users of aircraft, at a minimum cost to the taxpayer. Such legislation will facilitate improvements in the efficiency of the airport operations and will permit

swift action to correct conditions where the safety or convenience of the public is involved."

The Administrator, Federal Aviation Agency, advanced several reasons for incorporating the airport. In analyzing the reasons advanced, we have applied the standard that the public interest is best served when congressional control over activities is exercised through annual reviews and affirmative action on planned programs and financing requirements which attend the appropriation processes, and the application of statutes and regulations which usually govern the operations of Government agencies.

In our opinion, departure from this standard should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within this framework. Any contemplated change which may diminish this congressional control should be carefully considered as to its need. All practical means available within the regular structure should be fully explored. In the absence of special circumstances, changes in organizational structure, authority, and financing methods, with the resulting lessening of congressional control, such as are contemplated by H.R. 7399, should be made only if their demonstrable merits in terms of more efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control. We do not believe that such a showing has been made with respect to the local airports.

The reasons advanced for incorporating the airports by the Administrator, Federal Aviation Agency, are stated below and are followed by our comments on each of the several reasons.

1. The existence of a corporation with business-type budget and accounting practices will make it easier for the Federal Aviation Agency, the President, and the Congress to review and evaluate the effectiveness of airport operations and management.

The claim that a corporation, or for that matter any change in financing methods, is necessary to achieve improved budgeting, accounting, and reporting is not consistent with the current concepts which underlie continuing efforts to bring about improvements in financial management in the Federal Government. These concepts are set forth in Bureau of the Budget Bulletin No. 57-5, "Improvement of Financial Management in the Federal Government," in which we concur in basic principle. Neither is such a contention consonant with the accounting principles, standards, and related requirements which we have prescribed under authority of the Budget and Accounting Procedures Act of 1950, and in which the Director of the Bureau of the Budget and the Secretary of the Treasury concurred. As has been frequently pointed out, budgeting, accounting, and reporting may be designed to suit the individual and particular needs of any activity under any method of financing. Therefore, we do not believe that the claimed need for improvement in these areas is a valid reason for incorporating the airports.

2. The demands posed on airport operations by rapid development in aviation require that the airport organization have the capability of responding swiftly to changing circumstances which directly affect the safety and convenience of the public and the efficient operation of air carriers. The normal budget processes are simply not capable of responding to such unforeseen demands and, as a result, inadequacies constituting serious hazards to safety and interfering with efficient operations have persisted for prolonged periods of time at the Washington National Airport. Under the corporate form of organization, the revenues of the airport can be utilized in the prompt correction of most inadequacies in airport services and facilities.

We recognize that the airports, as well as any other Government activities, may be faced with some demands on their resources due to rapid developments and changing conditions which they were unable to predict. However, we do not believe that this fact will itself serve to justify any reduction in congressional control. We agree that some flexibility may be needed where it can be demonstrated that an activity by its very nature must be so immediately responsive to economic changes or any other changes that any delay in taking necessary action would defeat the primary purpose for which the activity was created. However, even in such situations, it does not necessarily follow that incorporation is the only solution.

Financing mechanics are available to conventional agencies which can provide essential flexibility in financing while at the same time retaining an appropriate and desirable degree of congressional control. One such alternative is for the Congress to authorize an appropriation in a stated amount for a permanently

available separate emergency fund. Such a fund could be replenished in the amounts disbursed therefrom by annual appropriations based on an accounting by the agency to be included and justified in the annual budget request.

With specific reference to the prolonged existence of hazards to safety at the Washington National Airport, which the Administrator attributes to the inadequacy of regular budgetary processes, attention is invited to the Senate hearings on the Independent Offices Appropriation Act, 1960, page 428. These hearings contain an extensive discussion of matters of particular urgency. In response to inquiries as to the action taken to correct the deficiencies, the Administrator stated that a request for the necessary funds had been presented to the Bureau of the Budget. However, a request for an appropriation was not submitted for consideration of the Congress until the submission of the budget for the following fiscal year. The Independent Offices Appropriation Act, 1961, authorized a no-year appropriation for use in eliminating the existing safety hazards and to undertake other improvements at the airport. Thus, any delay in obtaining the needed appropriation would appear to have been occasioned by administrative delay in requesting the appropriation rather than any inadequacy of the regular budgetary processes.

We believe that airport management has the responsibility to see to it that safety hazards are removed without delay. To the extent that existing conditions can be recognized or foreseen as hazards to safety, we think they are matters which lend themselves to projection within the regular budget cycle. However, even where safety hazards are not recognized or are unpredictable, we believe that incorporation is not necessary for their correction. A remedy may be provided through the use of an emergency fund, such as we suggest above; if not, through the supplemental appropriation processes.

3. The corporation will also be able to conduct business negotiations with other commercial entities on a more satisfactory basis than is possible under the current system in which revenues are deposited directly in the Treasury and are not available to provide services or to meet obligations.

In our opinion, a Federal activity does not require corporation status in order to permit it to deal effectively with private business organizations. Many Federal agencies which are not incorporated deal regularly with private business organizations and we have no information that they are hampered in such dealings by lack of corporation status.

In the specific area of fees and rents, many agencies of Government supply services and supplies to the public and only a minority of these are authorized to retain all of the collections so realized. Presumably the buyers need the supplies and services furnished and recognize that they must meet the seller's terms. With specific reference to the airports, the Administrator has authority under section 3 of the act of June 29, 1940 (54 Stat. 688), to determine and fix rents for the use of services and facilities at the National Airport. Similar authority with respect to the Dulles International Airport is granted by the act of September 7, 1950 (64 Stat. 770). The authority of the airports to use their revenues should not, in our opinion, be a factor in setting the level of rents.

While standards for rents are not set by the cited acts, there are other legal regulatory and congressional policy expressions available for guidance. For example, title 5 of the Independent Offices Appropriation Act, 1952 (65 Stat. 290; 5 U.S.C. 140), states it to be the intention of the Congress that services to the public shall be self-sustaining to the fullest extent possible and this notwithstanding the additional provision in the act that, unless otherwise provided, receipts realized from the furnishing of services and supplies shall be deposited in the Treasury as miscellaneous receipts. Another example is the Bureau of the Budget Bulletin No. 58-3 which states that full costs should be recovered for services furnished and that fair market values should be realized from the sale or use of federally owned resources or property. The bulletin recommends that sound business management principles and comparable commercial practices should be followed as far as practicable and advisable.

We believe that the Administrator now has ample guidance to deal effectively with the airlines and concessionaires in setting and adjusting fees and rents. In any event, the approval of charges to be made by the airports or the congressional policy with respect thereto can be established by a specific legislative requirement without need for incorporation. A number of unincorporated activities are required by law to establish rates and prices for goods and services furnished sufficient to recover costs, and in some cases an amount for repayment with interest on the Government's investment. In our report to the Congress on the audit of the Washington National Airport for the fiscal years

1956-58, we discussed the need for a long-range official policy governing fees and charges for airport facilities and services (pp. 8-13) and recommended that the Federal Aviation Agency establish such a policy.

There are other aspects to the greater flexibility in contracting methods which is attributed to the corporation structure. These relate to exemptions from standard requirements of law pertaining to Government contracts, such as the authority to make contracts or other commitments without reference to fiscal year limitations and to negotiate contracts without advertising. The Congress, under the cited acts of June 29, 1940, and September 7, 1950, already has conferred broad contracting authority on the Administrator, particularly with respect to the leasing of facilities and arrangements with concessionaires. Also, under authority of section 302(c) of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 252), the General Services Administration has delegated to the Administrator (GSA Delegation No. 361, Jan. 27, 1959) authority to negotiate without advertising certain contracts for supplies and services in connection with airport activities other than the administrative program conducted by the Federal Aviation Agency. We are not aware of any reason for greater leeway. If additional freedom is necessary, it may be granted by the Congress even if the airports are not incorporated.

The indicated need for the retention of revenues to conduct business negotiations on a satisfactory basis seems to lack validity. We are of the opinion that management officials of all Government agencies should, in carrying out their assigned responsibilities, endeavor to conduct their operations in an efficient and economical manner irrespective of whether the operations are financed out of appropriations by the Congress or out of revenues retained for that purpose.

4. A commercial airport operation is precisely the kind of predominantly business-type activity for which the Congress has made provision by enacting the Government Corporation Control Act of 1945.

This statement seems to suggest that recognition by the Congress of the corporation structure as an acceptable means of conducting certain Government activities may be regarded as a declaration of congressional intention that the corporation structure for certain types of activities is to be preferred over the conventional organizational and financing structure. We believe that this conclusion is not compatible with the Government Corporation Control Act and related circumstances. Instead, the basic intention of the Congress in enacting the act was to give it the means to exercise control over, and otherwise restrict, previously incorporated activities, rather than to create new corporations. This view is supported by section 304 of the Government Corporation Control Act (31 U.S.C. 869) which abolished all then existing corporations unless they were rechartered by the Congress before June 30, 1948. Only a few new corporations have been chartered since enactment of the act and the total number of such organizations which now are operating as going concerns represents a drastic reduction from the number in existence when the act was enacted. Moreover, a number of activities which have characteristics similar to those corporations approved under the act are now operating as conventional organizations with financing provided through regular appropriation and budgetary processes.

Our analysis of the reasons advanced for the incorporation of the local airports leads us to conclude that the proposed change is neither necessary nor desirable. In view thereof, we are unable to recommend favorable consideration of H.R. 7399. However, should the committee, after considering all of the above comments, conclude that incorporation of the airports would better serve the public interest than the present organization and financing methods, we suggest the need for revising certain of the specific provisions of H.R. 7399, as indicated below.

Section 6(11).—We recommend that the word "specifically" be deleted since it presumably would create a blanket exemption from all the statutes enacted by the Congress from time to time with respect to the business transactions of the United States unless such statutes were, by their terms, made applicable specifically to Government corporations.

Section 6(5).—This section apparently would authorize the Administrator to dispose of significant portions of airport property even to the extent of selling or relocating an entire airport. We believe that major dispositions of this character should require prior congressional approval and therefore suggest that this section be amended to so provide.

Section 6(6).—This section would authorize the corporation within the limits of its available financing, to make capital expenditures—construction of improvements, additions, betterments, and repairs as well as major alterations and repairs—without having the specific approval of the Congress unless they were

for a new type of activity or a single capital project involving an expenditure in excess of \$1 million and included in the annual budget program, as provided for in section 10.

While section 10 would preclude new activities or single capital projects involving an expenditure of more than \$1 million from being undertaken without prior congressional approval, it would not preclude the undertaking of major improvements that in the aggregate could greatly exceed that dollar ceiling without prior congressional approval.

Section 6(9).—This section would grant broad authority to the corporation to enter into contracts. This provision, together with the provisions of section 20 (c) and (e), would repeal certain statutory time limitations on the existing contracting authority of the airports, and would have the effect of authorizing the corporation to enter into contracts and other agreements without time limitation.

Although the airport management should have latitude in contracting to permit effective operations, we believe that there should be imposed such general restrictions as are necessary to avoid situations where the airports enter into long-term contracts without adequate provision for protecting the Government against the rising costs of airport operations. Such an instance is discussed at page 14 of the General Accounting Office report to the Congress on the audit of the Washington National Airport, fiscal years 1956-58.

Section 9(c).—In addition to its initial capital, financing will be available to the Corporation from other sources, such as advances from appropriations which would be indefinitely available for this purpose, reductions of inventories, net profits, and recoveries of depreciation and other noncash costs. This section provides only for reductions of excess financing realized through advances to the Corporation from an appropriation and of the balance in the appropriation itself. Excess financing can be generated through other sources, such as those mentioned above. No provision is made for draining off excesses from these sources. Accordingly, we suggest that the bill be revised to require specifically that the Administrator will review periodically—at least every 2 or 3 years—the financial needs of the Corporation in relation to all sources of financing available to it, including the unadvanced balance of the appropriation and, based on such reviews, to report to the Congress whether the existing and available financing is in excess of need. It should also require the Administrator, with the approval of the Bureau of the Budget, to establish criteria for use in determining amounts of excess financing. Furthermore, we recommend that the bill be revised to require that excesses so determined shall be returned to the Treasury.

Section 9(f).—This section appears to contemplate a permanent authorization for subsidy appropriations which appears to be inconsistent with the objective as stated in section 5 of the bill that it is in the public interest to operate the airports on a self-sustaining business enterprise basis. If it is intended that the self-sustaining objective expressed in section 5 be one of the governing factors in operating the Corporation, we recommend that the bill provide that all losses sustained shall, to the extent practicable, be recovered from future operations. The bill could provide that the recovery may be accomplished over a period of years if not practicable to accomplish it in a shorter time. We suggest that the Congress may wish to consider whether there is any need to authorize appropriations to cover prior years' losses since section 9(e) of the bill authorizes the appropriation of such amounts as may be necessary to carry out the purposes of the bill. Also, substantial amounts of cash could be generated by the recovery of costs such as depreciation of all fixed assets for which financing would not be required during the loss years. Barring the possible accumulation of losses of major proportions which were not susceptible to advance projection—and which in any case would require remedial action by the Congress—the financing available by the Corporation revenues, as supplemented by appropriations made under section 9(e), would appear to be adequate for the continuance of airport operations.

Amounts advanced under the authority of section 9(f) would be exempt from the payment of interest provided for by section 9(b). Irrespective of the concepts on which the provisions of section 9(f) are based, we are not aware of any valid reason why the Corporation should not be required to pay interest on amounts appropriated under such authority.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

Mr. WILLIAMS. Our first witness will be the Administrator of the Federal Aviation Agency, Mr. Halaby, who will explain the purposes and need for the legislation.

Mr. Halaby.

STATEMENT OF HON. N. E. HALABY, ADMINISTRATOR, FEDERAL AVIATION AGENCY; ACCOMPANIED BY ALAN L. DEAN, ASSISTANT ADMINISTRATOR FOR MANAGEMENT SERVICES; G. WARD HOBBS, DIRECTOR, BUREAU OF NATIONAL CAPITAL AIRPORTS; DAGGETT H. HOWARD, GENERAL COUNSEL; DAVID M. MUNSON, DEPUTY DIRECTOR, BUREAU OF NATIONAL CAPITAL AIRPORTS; AND HAROLD SEIDMAN, ACTING ASSISTANT DIRECTOR, OFFICE OF MANAGEMENT AND ORGANIZATION, BUREAU OF THE BUDGET

Mr. HALABY. Mr. Chairman and members of the committee, I wish to take this opportunity to thank you for the privilege of appearing before you to express the views of the Federal Aviation Agency on H.R. 7399 to create a National Capital Airports Corporation to operate the federally owned civil airports in the District of Columbia area.

Before I proceed with my prepared statement, I would like to introduce the members of my staff who have accompanied me and are here to help explain such technical questions as the members of this subcommittee may have.

They are Mr. G. Ward Hobbs, the Director of the Bureau of National Capital Airports; Mr. Alan Dean, Assistant Administrator for Management Services; Mr. Daggett H. Howard, General Counsel; Mr. David Munson, Deputy Director of the Bureau of National Capital Airports, all FAA; and Mr. Harold Seidman, Acting Assistant Director of the Office of Management and Organization of the Bureau of the Budget.

It seems to me, Mr. Chairman, that we are looking toward a kind of new horizon in aviation. All our projections show that the volume of traffic and air operations for this region, will expand very, very greatly over the next 5 to 10 years, and that if any problem arises in this region, we are going to have less, rather than too much, airport capacity over the 1960's. In other words, all projections of the public demand for air transportation suggest that we should be worried not about an overabundance of airport capacity, but a shortage in the 1960's.

The second point I would like to emphasize is that we are trying very hard in this Administration to design and create a national aviation system. Aviation has grown rapidly in all directions. It is now time to take the lead in setting goals and in devising a system of national aviation that will rationalize and provide the best economy and safety in all of the national aviation activities. We will soon be coming to the public and the Congress with a plan and a concept for a national aviation system.

Part of this system is a new thought, that instead of a passenger thinking of a flight from the airport to the airport, we would like to be able for the average citizen to think of an airway beginning at his office or at his home, and that airway would take him from where

he is to where he wants to go in a safe and predictable and efficient way.

If you think of an airway as beginning at the doorstep and leading to another doorstep, you then have to begin to think of regional planning of airports, and highways, and access roads, and you have to think of not only surface transportation from the doorstep to the doorway of the airplane, but you have to think of heliports and other means of rapid and convenient mobility, so a background for this bill, as I see it, is a national aviation system where we are trying to work a system of airports, highways, and access roads that will enable a person to get from his office or home to where he is going with a minimum of cost and a maximum of safety and speed.

Why we need a National Capital Airports Corporation in this context is clear in my mind after studying it for the 4 or 5 months I have been in office. It is primarily to make this a businesslike operation. It seems to me that the operation can be held more accountable by me as Administrator if I have a general manager and a corporate container for Washington National Airport and Washington International Airport, and that if at any later time other airports are added they also would be in this container.

I think from the congressional point of view, it is good to have one container for the Federal airports which is clearly visible and which lets you see whether or not the Federal servants who manage this airport are being businesslike. It is a fish bowl within a fish bowl, and it gives you, it seems to me, much more control and requires of us much greater accountability.

There are many precedents, most of them good, some of them poor, for such an arrangement. For so businesslike and finite an operation, H.R. 7399 provides for the operation of the federally owned civil airports in the Washington metropolitan area through a corporation subject to the direction of the Administrator of the Federal Aviation Agency.

The primary purpose of this legislation is to place the management of the federally owned civil airports serving the District of Columbia and its vicinity on a sound business basis for the purpose of affording better service to the traveling public, the airlines, and other users of aircraft at a minimum cost to the taxpayer.

The corporate form of organization will also facilitate improvements in the efficiency of airport operations and will make possible prompt action to correct conditions involving the safety or convenience of the public.

As you are aware, we are about to enter a crucial phase in the preparatory arrangements for operation of the new International Airport at Chantilly, and I feel most strongly that it is of the utmost importance to do so on a solid, businesslike basis.

This bill has the backing of the President, the Bureau of the Budget, and other members of the administration who are concerned.

For the most important world capital, it is essential to have, in the District of Columbia and its vicinity, airports which keep pace with our needs and are responsive to the traveling public, the airlines and other users of aircraft in providing safe and efficient services. I think parenthetically that it is also important that this airport be a model for the rest of the country and perhaps for the rest of the

world. It will, over the years, become more like New York Harbor with a Statue of Liberty and a clear channel for foreign dignitaries and immigrants, as well as our own citizens. The establishment of a government corporation to operate the federally owned civil airports in the Washington metropolitan area as proposed by H.R. 7399 would, in our opinion, make available that kind of control and management which will insure the attainment of such results.

Unlike many governmental activities, airport operation is revenue-producing and potentially self-sustaining. The airport has a large volume of commercial-type transactions which require greater flexibility than that required in the usual governmental activity. The characteristics of an airport as a business enterprise are clearly distinguishable from the general run of Government programs, in that (1) the Government is dealing with the public as a businessman, rather than as a sovereign, (2) the users, rather than the general taxpayers, are to pay for the cost of goods and services, (3) the expenditures necessarily fluctuate with consumer demand, (4) the expenditures to meet increased demands should not in the long run result in an increase in the net outlay from the Treasury, and (5) the operations are in excess of well-established commercial trade practices.

To handle these peculiarities of airport activity, insofar as the Government is concerned, and to cope with the essentially business characteristics of such an operation, use should be made of the concept of the Government corporation which has evolved over a long period of time.

In passing the Government Corporation Control Act of 1945, Congress made provision for the proper handling of predominantly business activities which need greater flexibility than is provided for under the customary appropriation budget. The Federal airports in the District and its vicinity are precisely that type of an activity.

The desirability of creating a corporation to operate the National Capital area airports has long been recognized. The first Commission on Organization of the Executive Branch of the Government (Hoover Commission) in 1949 recommended that the operation of the Washington National Airport be placed under a Government corporation.

In his 1955 budget message, the President recommended that legislation be adopted to provide for the establishment of a corporation to operate the Washington National Airport. Again in his 1962 budget message, the President in recommending the establishment of a Federal corporation to operate the Washington National and Dulles International Airports stated:

This arrangement will provide greater management flexibility to meet changing requirements and permit more business-like operations.

The need for a corporate form of organization has been carefully reviewed and is strongly supported by the present administration.

In its report to the Congress on the audit of the Washington National Airport for the fiscal years 1956-58, the General Accounting Office observed that—

there has been growing support in the Congress and the executive branch for operating the airport as a self-sustaining business enterprise—

with which observation this Agency is in entire accord. We believe that such an objective is enhanced through the use of corporate organization and financing as provided by H.R. 7399.

Bills similar to H.R. 7399 were introduced in both the House and Senate in the last session of the 86th Congress. Hearings were held before the Senate Aviation Subcommittee, but no further action was taken.

Prior to this, bills to create such a corporation were introduced in both the House and Senate in the 83d Congress, and the Senate Committee on Interstate and Foreign Commerce unanimously recommended enactment of the corporation legislation. At that time, the committee, in its report to the Senate, stated that in its opinion the legislation was necessary and advisable to provide more effective management for the Washington National Airport.

It cited the essentially business nature of the airport operation. It also took note of the difficulties which had resulted from (1) the application of customary budgetary and fiscal practices designed for conventional Government agencies; (2) the requirement that the airport return all of its income to the Treasury as general receipts; and (3) various problems which had arisen in connection with contracting and the acquisition of property under requirements applicable to regular Government agencies.

The extensive business activities at Washington National Airport currently produce revenue to the Government of approximately \$4 million annually. These activities go beyond those associated with the provision of aircraft and passenger accommodations. The airport's commercial activities require negotiation and supervision of approximately 190 contracts, including airport use agreements, hangar and other space leases, and contracts covering wide and varied concession activities.

The airport currently serves about 5 million passengers annually and an even greater number of public visitors who utilize the airport facilities. In many ways, the airport is comparable to a city, with its own fire and police departments. It must maintain and operate its own utility systems. It provides heat, water, power, air conditioning, and sewer services not only for passengers and public visitors, but also for airport tenants who employ about 12,000 people on the airport reservation.

During calendar year 1960, Washington National Airport was the second busiest airport in the Nation in terms of total itinerant aircraft operations. With the approaching completion of the new international airport at Chantilly, Va. where business activities ultimately will be even more extensive and complex than at Washington National Airport, we will be required to provide efficient, integrated operation of two of the largest civil airports in the nation.

Therefore, the need for the form of organization most suitable for the conduct of large-scale, business-type operations has become increasingly urgent.

The demands posed on airport operations by rapid developments in aviation require that the airport organization have the capability of responding swiftly to changing circumstances which directly affect the safety and convenience of the public and the efficient operation of air carriers.

The normal budget processes are simply not capable of responding to such unforeseen demands, and as a result, inadequacies constituting serious hazards to safety, and interfering with efficient operations,

have persisted for prolonged periods of time at the Washington National Airport.

Under the corporate form of organization the revenue of the airports can be utilized in the prompt correction of most inadequacies in airport services and facilities.

The business-type budget procedures provided by the Government Corporation Control Act will assure essential congressional control, but permit the operating and financial flexibility required for the most efficient conduct of airport operations and management. The Corporation will also be able to conduct business negotiations with other commercial entities on a more satisfactory basis than is possible under the current system in which revenues are deposited directly in the Treasury and are not available to provide services, or to meet obligations.

The Corporation will continue to be under the strict scrutiny of the Congress in accordance with the provisions of the Government Corporation Control Act. Therefore, it will be possible both to achieve the operating and managerial advantages of the corporate form of organization and at the same time assure that the activities of the Corporation are properly subject to congressional surveillance.

To illustrate the safety and operational improvements which would result, as well as the difficulties that would be overcome by enactment of this legislation, we would like to cite a few simple but real examples.

The air transport industry is quite dynamic and is experiencing tremendous growth in all its aspects. The introduction of an increasing number of high-powered aircraft by many airlines brought an immediate need for new electric power distribution facilities. This urgent operational demand was only partially met by emergency reprogramming of funds from other necessary items in fiscal year 1960. Funds to install and construct the balance of these electrical facilities were included in the fiscal year 1961 program. Actual provision of the total required power capability was therefore delayed for 1 year.

The huge quantity of electrical power and other utilities required for airport operations must be purchased from fixed appropriations based on estimates developed from 18 months to 2 years in advance. With operational growth frequently outstripping budget estimates, extreme difficulty is often encountered in meeting unpredictable requirements even though the increased utility costs would willingly be paid for by the airlines and other users.

Suddenly developed needs for relatively small but essential items present a constant problem to management. The inability to meet such requirements promptly has a definite impact on safety. These items may be changes in the ramp configuration, alteration to aircraft gates, small bypass taxiways and runway extensions, major roof repairs, sewage disposal, repair or replacement of defective water mains, emergency installation of a water purifier plant, and countless other items involving passenger protection, or safety of aircraft operations.

Other unpredictables, like unexpected blizzards, heavy and frequent snows such as we experienced last winter which were far in excess of the normal pattern for this region, or hurricanes can cost us many thousands of dollars, and have a severe impact on equipment and facilities.

Emergency expenditures for such things as replacement of storm damaged hangar roofs, walls, and doors, or boiler repairs deplete limited maintenance funds and preclude other badly needed repairs.

It may be helpful to make specific reference to certain sections of H.R. 7399.

Section 5 constitutes a declaration of congressional policy that it is in the public interest to operate any airport transferred to the Corporation by or under this act on a self-sustaining business enterprise basis. This means that such operations will be consistent with sound commercial practice and with due regard to the Government's investment. Rates will be set at levels which will assure the recovery of the appropriate portion of the Government's investment over the period of the useful life of the airport.

Section 8 vests the management of the Corporation in the General Manager who, subject to the civil service laws, would be appointed by and be subject to the direction of the Administrator. The salary for the Manager may be fixed by the Administrator at a rate not to exceed the maximum permissible by section 302(f) of the Federal Aviation Act of 1958.

We want to emphasize that all of the personnel to be employed by the corporation will be subject to the civil service laws and to the Classification Act of 1949, as amended. The Corporation would require no personnel in addition to those who would be needed to operate the airports under present arrangements.

We are not, Mr. Chairman, proposing a Corporation in the full sense of the word where we would hire outside the civil service and set up, as do most other airport corporations of the United States, salary scales competitive with private enterprise. I find that on examination men with responsibilities comparable to the General Manager of this Corporation are earning between \$4,000 and \$10,000 a year more than would this General Manager, so the point here is that this is within the civil service, subject to the Classification Act, with no additional personnel over those that would be required under other forms of management.

Subparagraph (c) of this section establishes an Advisory Board of the National Capital Airports Corporation to be composed of five members to be appointed by the Administrator. A majority of the Advisory Board shall be from private life and not less than one member shall be experienced in air carrier operation. This Board will meet at the call of the Administrator or the Manager no less than once each 6 months to review the general policies of the Corporation, and to advise the Administrator and the Manager with respect thereto.

Section 9 of the bill establishes policies and procedures governing the financing of the Corporation which will afford maximum protection of the Federal investment and at the same time promote sound fiscal management. This section establishes a National Capital Airports Fund to consist of (1) such amounts as may be advanced to the fund from appropriations made for that purpose; (2) the unexpended balance of any appropriations available for Washington National Airport and the international airport at Chantilly, Va.; and (3) the value of the assets of any airport that is or may be transferred to the Corporation under this act, less its liabilities.

Under subparagraph (b) of this section, the Corporation shall pay into the Treasury of the United States as miscellaneous receipts interest on the capital of the fund.

Under subparagraph (c) of this section, there is a provision that whenever any capital in the fund is determined by the Administrator to be in excess of its current needs such capital shall be credited to the appropriation from which advanced where it shall be held for future advances, and the capital fund shall be considered reduced by the net amount of such credits. It should be noted, further, that by this particular subparagraph whenever it is determined that the appropriation contains funds in excess of the needs of the Corporation the appropriation shall be reduced by an amount equivalent to such excess.

Mr. Chairman, we urge the adoption of this legislation in the interest of efficient and businesslike operation of the Federal civil airports of the Washington metropolitan area. The taxpayers and all airport users will benefit from such action.

Mr. WILLIAMS. Thank you very much, Mr. Halaby.

Mr. Friedel?

Mr. FRIEDEL. Mr. Halaby, I was much impressed with your statement, but a few things remain cloudy in my mind. If you formed this Corporation, could be Corporation, if you had funds left over, use the matching basis formula and get money from your discretionary fund under the Airport Act?

Mr. HALABY. Would they?

Mr. FRIEDEL. Could they? Would they be eligible?

Mr. HALABY. Under the Federal Airport Act of 1961?

Mr. FRIEDEL. If you had a \$35 million discretionary fund, and the Corporation today had about \$5 million left over—

Mr. HALABY. The answer is "No," Mr. Friedel.

Mr. FRIEDEL. It is not clear in my mind. I sent you a letter, dated July 12, and I asked a few questions about the discretionary fund. I wondered whether any of the funds under the Airport Act, from the \$375 million budget over a 5-year period, could be transferred to Dulles or to Chantilly Airport or to the Corporation.

Mr. HALABY. The Federal Airport Act does not contemplate aid to the Corporation or any one of the airports in the Corporation.

Mr. WILLIAMS. Will the gentleman yield at this point?

Mr. FRIEDEL. Yes.

Mr. WILLIAMS. Is it not a fact, Mr. Halaby, that under our present law and under the contemplated renewal of the Airport Act, in either case it is necessary for local interests to match your fund, even including the discretionary funds?

In other words, you would not have authority under the Airport Aid Act to use any of the funds made available to you for the purposes of operating this Corporation in any way?

Mr. HALABY. That is right, Mr. Chairman.

Mr. FRIEDEL. I would like to pursue that just a little further.

For instance, let's say you needed \$20 million to improve Chantilly or Washington National Airport, and you went to the Appropriations Committee and said, "If you will appropriate \$10 million we have \$10 million in the discretionary fund that we could use instead of your appropriating \$20 million." Can you get \$10 million from the Appropriations Committee on a matching basis? That is one thing I

wanted to get clear in my mind, that none of these funds can be transferred to either Washington National or Chantilly, or any of these airports, under this Corporation. That is one thing I wanted to have cleared up.

If this can be done, I would like to offer an amendment to the Airport Act that none of the funds shall be transferred.

Mr. HALABY. We have no such idea in mind, nor is it incorporated in either the Federal Airport Act of 1961 or in this act.

Mr. FRIEDEL. Supposing, in my example, you needed \$20 million, or say, you needed \$10 million, and you went to the Appropriations Committee and said, "Instead of our asking for \$10 million, give us \$5 million and we can get \$5 million from the discretionary fund." Would that ever happen?

Mr. HALABY. No, sir.

Mr. FRIEDEL. And could not happen?

Mr. HALABY. Not under any legislation that is now in effect or proposed by the administration.

Mr. FRIEDEL. I am glad to hear that. There is one thing that worries me, frankly, being so close to Washington National and Chantilly. Every State contributes to Chantilly and to Washington National Airport. Maryland contributes, the same as California and Oklahoma. I want to know if there is any way that Friendship could get some of this money, because we are so close and overlap the District. Could any of that money go to Friendship? We are floating a \$5 million bond issue right now for improvements to Friendship. We also are appropriating money out of the city budget each year for Friendship.

It is not on a paying basis yet, and we are still appropriating money. I want to know if any of these funds could help Friendship out, other than under the formula that we use under the Airport Act.

Mr. HALABY. Sir, there is no provision for any aid to any airports under H.R. 7399. It does not authorize any additional funds to be appropriated and, of course, it does not appropriate any funds, so it relates only to a corporation to operate and manage federally owned civil airports within the District of Columbia and its vicinity.

Mr. FRIEDEL. I agree with you. I do not think it comes under H.R. 7399, but under the Federal Airport Act.

Mr. HALABY. Friendship Airport, like all other city and county and State-owned airports, will be eligible under a renewed Federal Airport Act, if the Congress passes one this session, it will be eligible under the formula basis and under the discretionary fund and under the new fund for general aviation airports, like other communities, and if the airport authority of Friendship presents a case that meets the legislation of the Federal Airport Act and the criteria under which we administer it, then they would receive matching aid.

At first, I thought perhaps you wished to have the Friendship Airport incorporated into the District of Columbia, but I realize that was probably a misinterpretation.

Mr. FRIEDEL. No; that was not my intention. I want Friendship to grow bigger and better. We are in a bad position in a way. In other words, we in Maryland are contributing money for Chantilly like every other State. We are helping to build a great airport, and Maryland is paying its share. By the same token, you are cutting

our throats at Friendship. That worries me. We are in a very bad way.

If you do not divert too much traffic away from Friendship or if you divert more to it, we can get on a paying basis. Then we will be satisfied.

Mr. HALABY. As I said at the outset, Mr. Friedel, I believe that over a reasonably long term there is going to be such a public demand for air transportation that Friendship, Washington National, Washington International, and, I hope, additional airports, will be needed to their full capacity to accommodate the public demand for transportation. I think we have to face the fact that since the previous administration determined that they would build and locate a new international airport at Chantilly, Va., and build it in this time period, there is going to be some short-term competition between Friendship and that new airport. It is just inevitable.

But over the long term, in my judgment, we are going to need them both and probably some more, because that is the nature of progress in the national aviation system.

Mr. FRIEDEL. We understand that thoroughly.

Mr. HALABY. I do not think there is going to be any immediate sharp competition because it is going to take until next fall to complete Washington International Airport. It is going to take the airlines some time to expand their operations, and they are going to feel out the public desire to board at Friendship or board at Chantilly, and that in the end is what determines the rate of growth and the place of growth of our air transportation system—the public.

Mr. FRIEDEL. I am hoping when Chantilly is in operation that the cutbacks on Friendship Airport will not be too drastic. That is my big concern.

Thank you, Mr. Chairman.

Mr. HALABY. The best way to do that is to generate air traffic demand in this whole region to such an extent that we need all these airports.

Mr. FRIEDEL. You will find Friendship much closer to certain parts of Washington than Chantilly is. I know a lot of people that use Friendship and I think it is a wonderful airport. I think it is one of the greatest and best. It will not match Chantilly, of course, because Baltimore had to build its own airport with only a little bit of Federal funds. The new airport at Chantilly, naturally, is going to be one of the greatest airports.

Mr. HALABY. The wisdom of your colleagues in building that airport and the Federal Government in providing aid to that airport has been demonstrated in the last 2 years by the expanded use of it for jet operations.

Mr. FRIEDEL. I am glad we had foresight and thought in planning it because it is not only a good airfield, but it is zoned properly all around the area and we do not have the complaints about noise like you do with the Idlewild in New York; and if you have too many complaints send them from New York to Friendship and we will take care of them.

Mr. HALABY. We would like very much to see Maryland take some initiative in developing a general aviation airport for this region because in the last few years we have lost several of the small-business-plane airports, and if Maryland and Virginia and the District could

take more initiative in developing a small-plane airport, that would relieve the congestion at Washington National and later Friendship and Washington International, this would be a great thing, too.

Mr. FRIEDEL. I find that the Department of Agriculture at Beltsville objects to letting us have that airport and they will not give it up.

Mr. HALABY. I gave that a good try, sir, at your suggestion, but the Department of Agriculture feels that this would interrupt their agricultural research.

Mr. FRIEDEL. That is all, Mr. Chairman. Thank you very much.

Mr. WILLIAMS. Mr. Springer.

Mr. SPRINGER. No questions.

Mr. WILLIAMS. Mr. Jarman.

Mr. JARMAN. Mr. Halaby, do you know of any opposition to the bill?

Mr. HALABY. Sir, I think that there is a possibility of a feeling that somehow this Corporation would relinquish congressional control over the operations and financial results, that by following the precedent in several other areas, somehow Congress would lose control over this.

I, of course, am not a member of the legislative branch, but in my view, you get more control. Before you came in, I stated that I feel that this would be a kind of fish bowl within a fish bowl. The whole Federal Aviation Agency, I find, after swimming around in it for 4 months, is a big fish bowl, and within that you would have a container that manages, the two airports, and any later airports. I can hold the General Manager responsible the way I would like to if I were president of a corporation, hold a divisional manager responsible for profit and loss, and then look right at his operation and say, "There is the responsibility for these two airports. There is the man whom we hold responsible for profit or loss operations." So I think you would have more control, rather than less.

I think there is some concern among the users of the airports that the capital base of the airport, that is, the total cost, particularly of the Washington International Airport, would be greater somehow if it were incorporated.

We have thought very hard about this. For example, instead of charging into the cost of the airport the single purpose airport access highway which goes from the Circumferential Highway out near the CIA building into the airport, it is our proposal to write this cost off as a cost of a special high-speed highway, rather than charge it into the capital base of the Corporation.

We feel this is justified because this road has only its use as access to the airport. It has a national defense potential. It is to be a national parkway. The Secretary of the Interior and I have been discussing how it could be made a very handsome, attractive national asset, because when you think about it this is going to be the first view of the Capital of the United States of America that thousands of people visiting this country are going to the National Park Service and become a beautiful access to the Capital.

We are also going to try very hard to make this airport a handsome one, a source of national pride, rather than a trashy one as some airports have gotten to be. There are other costs that I think some sources fear we might load into this Corporation that I believe are not properly a part of the capital base, and I think those fears are

not warranted. The only other source of difficulty I have heard is I think the genuine concern Mr. Friedel has, and that is that somehow this Corporation might make this international airport more competitive with Friendship, rather than less.

I do not see how the creation of the Corporation would affect competitiveness in any way. In fact, it might make it less competitive because you and I would be more able to hold it strictly accountable. However, so far as I know, sir, those are the points that I have heard discussed.

Mr. JARMAN. I understand.

Another question, just for general information. About 2 years ago, as I remember, this subcommittee held hearings on the naming of the airport at Chantilly and my understanding was that the name was to be the Dulles International Airport. I notice your statement on page 10 refers to the International Airport. What is to be the official name of the airport?

Mr. HALABY. Mr. Jarman, the official name is the Dulles International Airport as proclaimed by President Eisenhower shortly after the death of the late Secretary of State. This was by the stroke of a pen a Presidentially proclaimed name. The legislatively official name, I believe, is the Additional Washington Airport. The Congress has not named the airport, except in that rather generic sense.

In law, I suppose, the airport could be named whatever the President then in office wished to name it. I have heard sentiment to the effect that it is better to name a national shrine of this nature after a location, rather than a person, but at the present time, the official Presidentially proclaimed name is Dulles International Airport.

The congressionally stated name is the Additional Washington Airport.

Mr. JARMAN. Thank you, Mr. Halaby.

Mr. WILLIAMS. Mr. Collier.

Mr. COLLIER. Mr. Halaby, I was greatly elated with the third paragraph on page 2 of your statement, where you say:

Unlike many governmental activities, airport operation is revenue producing and potentially self-sustaining.

How long would it be or what would be involved in making this Corporation a self-sustaining activity, in your opinion?

Mr. HALABY. Mr. Collier, I wish I could give you a day, month, and year on that.

Mr. COLLIER. Even a decade is good enough, sir.

Mr. HALABY. Within that time span I feel that it can be made self-sustaining. The problem is this: that at the beginning of this administration, the Washington National Airport experience was mixed. My recollection is that in recent months, Washington National has operated some months at a profit, some months at a deficit. I believe in the fiscal year 1960, there was a profit and I believe that for 3 years prior to that, it had been in the black.

It is my understanding that this year (fiscal 1961) it will probably be slightly in the red or break even. So we do not start with a good high profit at Washington National Airport to absorb the startup costs of an international airport.

Of course, we have to run them both as nearly profitably as we can as early as we can. I would hope that the traffic projections for the

International Airport and the negotiations for user charges and concession charges would be favorable enough to get the International Airport as well as Washington National in the black within 3 to 5 years in terms of out-of-pocket costs and interest. I think that would be a darn good record, but after 4 months my judgment is not much better than yours, sir.

Mr. COLLIER. If, as you say, the Washington National Airport presently is the second busiest airport in the country—and using it regularly, I certainly would not even question such a statement.

Mr. HALABY. Actually, your airports in the Chicago area are busier, except in these itinerant operations. That is a rather special statement.

Mr. COLLIER. Would it be an unfair question to ask you where, basically, the inadequacies presently exist if the airport currently with this tremendous traffic is not presently self-sustaining?

Mr. HALABY. I hate to pass a question like that, but I have to because I really do not know the answer to the question. About 8 or 9 months ago, my predecessor was able to obtain the services of a vice president of one of our fine airlines and he made him Director of the Bureau of National Capital Airports, and he has had a little more time and has, of course, devoted more attention to this question than I have; so if I may ask Mr. Ward Hobbs to comment on that question, I know you would get a better answer than you would from me.

Mr. HOBBS. Mr. Collier, the Washington National Airport has been operating under a 10-year lease. The new lease is now presently being negotiated. The present fees that we are negotiating for should bring Washington National Airport back to the level of revenue it should have.

Mr. HALABY. Could you compare the current charges under the old lease with, let's say, comparable charges at O'Hare or Midway, or any typical airport?

Mr. HOBBS. I do not think I have a comparison, but I can certainly tell the Congressman of the present rates here. The rates, for instance, Mr. Congressman, of \$1.80 per square foot for the ground floor is the old rate which is far below the average rate of airports today.

The first floor rate as a comparison is \$3 a square foot, which is below the present rates being charged elsewhere. We anticipate bringing these up to the comparable rates of other airports of the same size. We are also negotiating our leases so that the rates and fees are subject to renegotiation every 3 years, so that the trend can be watched and we can take care of any increases.

Mr. COLLIER. Thank you.

I have just one further question, Mr. Chairman. Did I understand you to say, Mr. Halaby, that the establishment of a corporation would not entail additional personnel?

Mr. HALABY. Yes, sir; I guess, to be very precise, it would not require additional personnel over what would be required if there were no corporation. In other words, we do have to hire people to manage the international airport which are not now hired because we have not needed them, but it would not require additional personnel over what would be required without a corporation.

Mr. COLLIER. In other words, generally speaking, the personnel currently being employed which operate the airport at the present time would be substantially the same as the number of employees who would be employed in this capacity under a corporation.

Mr. HALABY. Yes, sir. There would not be any additional supernumeraries just because we created a corporation.

Mr. COLLIER. Have we had any experience, and I cannot think of any at the moment, where we have had a corporation operated by the civil service employees?

Mr. HALABY. We have here today, I guess, the leading authority on the subject of "Government Corporations," Mr. Harold Seidman, of the Bureau of the Budget. I believe the answer is "Yes," but if he would spell it out, I think it would be helpful.

Mr. SEIDMAN. The answer is "Yes," we have a number of variations, but to give one, the St. Lawrence Seaway Development Corporation is one which is entirely manned by civil service personnel. Of course, the Tennessee Valley Authority is composed of essentially civil service personnel. They have their own personnel system, but it is the merit system.

Mr. COLLIER. It is a little different type of management at the administration level; is it not?

Mr. SEIDMAN. And the Panama Canal Zone, but there are, as I said variations. This is by no means unprecedented. There are a number of them. In fact, some years ago, the Ramspeck Act provided authority for the President, at that time, to transfer Corporation employees into the classified civil service.

Mr. COLLIER. Except that this would be a little different, would it not, in the respect that actually the controlling management would be a civil service operation, whereas in these other areas you mentioned, there is established top level management which functions outside of civil service?

Mr. SEIDMAN. That, I think, is a question of structure. You are correct there; in the case of the St. Lawrence Seaway Development Corporation, the management is vested in the Administrator, who is a Presidential appointee. Of course, that is an independent agency.

In this case, the General Manager is under civil service, but he is under the Federal Aviation Administrator who is the top non-civil-service person concerned with this operation. We have general managers in the other corporations, some of whom are, of course, in civil service.

Mr. COLLIER. Thank you, sir. That is all I have, Mr. Chairman.

Mr. WILLIAMS. Mr. Macdonald.

Mr. DACDONALD. Thank you, Mr. Chairman.

It is a pleasure to see you again, Mr. Halaby. Actually, my question is not an earth-shattering one, but it is one which has puzzled me for some time. I was wondering if you anticipated having the same system of transportation from the airport at Dulles that is now in, shall we say, use, for lack of a better word, here at Washington Airport. I never can understand how those cabs operate. I admit to a certain prejudice since I only live a little way from the airport in Arlington and sometimes I go up to a cab and I will say where I am going. When I tell them they usually will not take me, (a), and then (b), I call for a cab and it is from the District here, nobody is in it and it is going back my direction, and cannot get in it. The limousines do not go out my way and so oftentimes, after I have been irritated by not having my luggage catch up with me for a while, I get further irritated about those cabs. Maybe it is just me. I do not know. I

was wondering, first, what the system is down there now, if you know and, secondly, what system are they going to use out at Dulles, which would be, I think, even more difficult to get to and from.

Mr. HALABY. I will give you a brief general answer, then I will ask Mr. Hobbs to go a little further.

The principle involved here is that we sell concessions for selling books, magazines, food, and so forth, and one of the concessions is the taxi concession at Washington National Airport.

After bids and proposals are received, you select one for the taxi concession. The reason is obvious. We want to get revenue to put the airport on a self-sustaining basis. We will have a somewhat different problem when it is a 30-mile trip instead of a 3- or 4-mile trip, and yet we do want to get as much revenue as we can in the new international airport, and one of the ways of getting it is through selling the limousine or taxi concession.

I have had the same problem you have had.

Ward, would you explain just why I had the same problem? The Yellow Airport Cab cannot pick up passengers on a regular basis.

Mr. HOBBS. Airport Transport, Mr. Macdonald, is confined to the route of the airport to the city. He cannot pick up in the city. The reason why we have the one cab company at the airport is primarily for control. Most of the cabs in Washington, as you know, are privately owned. It would truly be a mess at the airport if we opened it up wide, plus the fact that we would lose a very good concession revenue-wise.

Mr. MACDONALD. How much do they pay for the right to operate out of the airport?

Mr. HOBBS. We realize a minimum of \$175,000 a year on that concession.

Mr. MACDONALD. Is that done on a licensing basis, or pro rata for so many miles of passenger haul?

Mr. HOBBS. A minimum guarantee or percentage of his gross, whichever is higher.

Mr. MACDONALD. Do you check their meters and all that?

Mr. HOBBS. We check their gross income and we get the percentage of their gross income.

Mr. MACDONALD. Each individual cab, or the company as a whole?

Mr. HOBBS. The company as a whole. There is a meter inspection program; yes.

Mr. HALABY. In other words, he pays for the right to carry airport passengers from the airport.

Mr. MACDONALD. He pays you \$175,000?

Mr. HALABY. As a concession fee he pays a percentage of his gross earned on the passengers from the airport, and that is the total figure Mr. Hobbs gave you.

Mr. MACDONALD. What is the amount. What is the fee?

Mr. HOBBS. Mr. Munson, my Deputy Director.

Mr. MUNSON. The present contract calls for a guaranteed minimum or a percentage of gross business taken away from the airport, whichever is larger. The current payment is based on the percentage. This figures out at about 13.8 percent of his gross business.

We do not collect anything on business delivered from downtown locations to the airport through his limousine service, so it is 13.8 percent on total business.

Mr. MACDONALD. Is he on perfectly sound legal ground in refusing to haul a passenger from the airport to Arlington, Va.?

Mr. MUNSON. No. Under the terms of his contract he must provide service at all times from the airport.

Mr. HALABY. If he refuses a common carrier request, then he is in violation of that contract?

Mr. HOBBS. Exactly. We should like to know about this.

Mr. MACDONALD. I would have liked a couple of times to know whom to tell. What is the objection to having a cab that comes in from town and discharges passengers; what is wrong if there are no other cabs around, what is wrong with them picking you up? I have never been able to understand that, either.

Mr. HOBBS. We have to protect him, Congressmen, in giving him the concession rights of carrying the business from the airport into town when he has the concession.

Mr. MACDONALD. I suppose the riding public has a little bit of a right to be protected, too. They are in a hurry and they want to get someplace. Cabs are busy. The airlines seem to travel always at a peak hour. The cabs are fairly hard to come by and a cab zooms in and you hail it and the driver shakes his head, no, and keeps on going.

Mr. HOBBS. As long as he has cabs on his stand, sir, we give him the right to the volume of traffic that does come in, but if he does not have cabs on the stand, this should not prohibit a passenger from hailing the first conveyance that comes by. At the airport, I am speaking of.

Mr. MACDONALD. We are talking about the Checker Cab or one of these independent cabs that go to the airport. It is perfectly legal for them to pick up passengers at the airport?

Mr. HOBBS. No, sir, it is not. He has the concession right at the airport. What I said to you was if he did not have any cabs on his stand —

Mr. MACDONALD. Who is this he you are talking about now?

Mr. HOBBS. I am talking about the Airport Transport Co.

Mr. MACDONALD. I am now talking about another cab that comes out of town and drops off a passenger and you are standing there with a bag, and here is a cab and you ask for the cab and driver says, no, it is illegal for him to pick you up?

Mr. HOBBS. That is right, sir, as long as Air Transport has cabs available for you to use, sir. This is his concession right.

Mr. MACDONALD. Whose duty is it to check to see that there are some available?

Mr. HOBBS. Our airport manager should make sure that there are.

Mr. MACDONALD. I am sure he has more important things to do than that, I hope.

Mr. HOBBS. He does. There are police officers there, the Washington Airport police, who work for the manager that should see that that does not happen.

Mr. HALABY. In order to earn the concession revenue, we have to protect the concessionaire to the extent that whenever he has a cab on the stand ready to go our police will not permit a passenger to hail and hire another cab other than Airport Transit to pick up a fare. That is the only way we can protect our revenue source. Otherwise,

he says, "What's the concession worth? Why should I pay 13.8 per cent to have my cabs there?"

Mr. MACDONALD. \$175,000 seems to be worth quite a lot to him. Does he run the limousine service, too?

Mr. HOBBS. Yes, sir.

Mr. MACDONALD. And the Yellow Cab?

Mr. HOBBS. Yes, sir; the yellow Airport Transport Cabs.

Mr. MACDONALD. One operation?

Mr. HOBBS. Yes, sir.

Mr. MACDONALD. What system is going to be used at the new airport?

Mr. HOBBS. At the new airport we will use the buses similar to those running between Friendship and Washington. We will have the bus, limousine, and cab.

Mr. MACDONALD. What if a cab goes 30 miles out to Chantilly and there is a passenger who wants to get back in? He has to come back empty.

Mr. HOBBS. He is going on a one-way ride, yes, sir.

Mr. MACDONALD. You are going to have an awful tough time getting these independents to take you out to Dulles, are you not?

Mr. HOBBS. Yes, sir; you certainly are.

Mr. MACDONALD. Do you think that is something to give some thought to? It is tough enough to get out to this airport.

Mr. HOBBS. I think, Congressman, if he took you he would charge enough to pay for his return. They do that now to Baltimore.

Mr. MACDONALD. I know, but we are supposed to look toward the public interest. I am not sure that it is in the public interest. I do not know. I am just raising these questions because I do not know the answer, but I think it is something to think about, whether to use the same arrangement when it is 30 miles out there, because if you are in a hurry to call a cab to your apartment to make a plane and the fellow shows up in town and you tell him where you want to go, he will say, "I am sorry, I do not have a license to go there," or something and you will be sitting around waiting for a cab or missing the plane. I would think perhaps this should be reviewed.

Mr. HOBBS. I think he will probably try to take you at that rate. Right now, from Washington they are charging \$15 and \$20 to take you to Baltimore. I well imagine that he will try to talk you into a high enough rate to take you out, but I think we are providing adequate transportation in our plans for the Dulles International Airport.

Mr. MACDONALD. From downtown hotels, I suppose that is true, but from private homes in either Georgetown or Virginia, you have a tremendous job.

Mr. HALABY. The same thing occurs at Idlewild. If you have enough dough you take a cab rather than go to either the East Side or West Side Terminal. It costs about \$6.50 from Manhattan out to Idlewild. That cabdriver takes his chances on whether there is a fare there or whether the lineup, which might be up to 2 miles long, makes it worth while for him to come back empty.

Mr. MACDONALD. I understand, but as a matter of fact, that is one reason there are all these cabs both at La Guardia and Idlewild, because they do not have these concessions, and I was wondering whether in the overall picture it would be worth while, once again, to give a

monopoly to one company—I do not use that in any bad sense—or to give a franchise to one company.

Mr. HOBBS. Mr. Macdonald, if I may, Mr. Administrator, at the Idlewild Airport it is an uncontrollable mess. Sir, I commuted before living down here, living on Long Island, and if you would ask the next man out to take you to the Jamaica station, your life is in danger, and the port authority has no control and they will tell you that they have no control. They will only take you on a long haul. If you ask a cab to take you to the United Building, or any of the other buildings around that circle, you have your hands full, so there is no control and if you appeal to a policeman he will ask you to appear at a hearing so that you can lift the man's license, which no one has the time to do.

I am only bringing it up as a matter of control.

Mr. MACDONALD. I was wondering, do you anticipate giving the same franchise to the same person?

Mr. HOBBS. We have, sir.

Mr. MACDONALD. You have already done that?

Mr. HOBBS. Yes, sir. We have negotiated at the Washington International.

Mr. MACDONALD. Which is the line that got it?

Mr. HOBBS. Airport Transport, Inc.

Mr. HALABY. Is there a competitor?

Mr. HOBBS. We had four bidders, the Washington, Virginia, & Maryland Bus Line, the Gray Line sightseeing people, D.C. Transit System, and the Airport Transport people.

Mr. MACDONALD. Do the other two outfits have cabs?

Mr. HOBBS. No, sir. We made our selection by weighting revenue to the Government with proposed service and the experience of the operator in providing this type of service.

Mr. MACDONALD. Was this a published bid?

Mr. HOBBS. Yes, sir.

Mr. MACDONALD. Thank you.

Mr. HOBBS. Yes, sir.

Mr. WILLIAMS. Mr. Devine.

Mr. DEVINE. In the absence of this franchise, it would cost \$175,000 in the operation out there, is that correct? If you did not have a franchise with a limousine company or cab company, your revenues would be \$175,000 less?

Mr. HALABY. Yes, sir; if they were open, uncontrolled operations, we would forego a minimum of \$175,000. We will doublecheck that figure and put it precisely in the record.

(Information referred to follows:)

INFORMATION ON PAYMENTS RECEIVED BY THE GOVERNMENT FOR THE GROUND
TRANSPORTATION SERVICE CONTRACT AT WASHINGTON NATIONAL AIRPORT

The contract with the ground transportation operator provides for payment of a minimum guarantee of \$175,000 annually or a percentage of his gross receipts, whichever is higher. Under the terms of this contract, the Government has received the following payments during the last 5 fiscal years:

Fiscal 1957	\$221, 047
Fiscal 1958	262, 832
Fiscal 1959	285, 838
Fiscal 1960	294, 458
Fiscal 1961	277, 899

Mr. DEVINE. Statistically, how does the Washington National Airport rate on takeoffs and landings during a 24-hour period with other airports across the Nation?

Mr. HALABY. The total number of takeoffs and landings, total number of aircraft operations?

Mr. DEVINE. Twenty-third, or fifth, or tenth, or what?

Mr. HALABY. It is in the first few. I think it is second or third and let us put a precise statement in. In other words, it is among the first three or four.

(Information referred to follows:)

Rank order of Washington National Airport, calendar year 1960

<i>Airport</i>	<i>Total</i>
Total instrument operations:	
1. Washington National.....	203,484
2. Chicago Midway.....	199,674
3. New York Idlewild.....	196,547
4. Los Angeles.....	165,448
5. Miami.....	133,430
Total itinerant aircraft operations:	
1. Chicago Midway.....	347,474
2. Washington National.....	315,987
3. Los Angeles.....	270,956
4. New York Idlewild.....	270,593
5. Dallas.....	247,885
Air carrier aircraft operations:	
1. Chicago Midway.....	298,582
2. New York Idlewild.....	239,617
3. Washington National.....	226,512
4. Los Angeles.....	216,086
5. New York La Guardia.....	173,611
Total aircraft operations:	
1. Chicago Midway.....	376,030
2. Tamiami, Fla.....	321,605
3. Miami, Fla.....	321,017
4. Washington National.....	316,597
5. Denver.....	308,194

Mr. DEVINE. It is among the first five?

Mr. HALABY. Yes, sir.

Mr. DEVINE. Can you give me roughly whether it is every 3 minutes or every 4 minutes, generally speaking?

Mr. HALABY. It depends on the time of day, but if you are thinking of a 24-hour average, we will get you that figure. It is very frequent.

For example, under IFR conditions, it is often an average of slightly less than one each minute. At peak loads under visual flight rules, it is higher than that. It is about 300,000 a year.

(Information referred to follows:)

During calendar year 1960 aircraft operations at Washington National Airport totaled 316,597 or an average of 1 operation every 90 seconds.

Mr. DEVINE. Do you expect Chantilly to be in operation in the fall of next year?

Mr. HALABY. Yes, sir.

Mr. DEVINE. We have Bolling here and we have Andrews here.

Mr. HALABY. Bolling Field will be phased out by the fall of next year and all military operations will have been concentrated at Andrews Air Force Base.

Mr. DEVINE. I was just wondering, and I do not suppose you can tell me when does the air become saturated as far as traffic is concerned?

Mr. Friedel was asking you questions, and you thought that when Washington National is in operation, and Washington International, there would be slowdown at Friendship, and then it would also pick up, and that you hope during the next 10-year period that you would have additional facilities in the area. I could see why, but when do we become saturated or supersaturated?

Mr. HALABY. It depends of what you mean by "saturated." At the present time, our air traffic control system, which is not quite a system, but which is a pattern of facilities which we are trying to convert into a system, cannot accommodate all those who would like to take off and land in the Washington-Baltimore region, and therefore you and I and all other passengers are encountering delays while entrants to the air traffic control await their turn.

You have probably sat impatiently out on that Washington National Airport runway waiting for a takeoff clearance in some cases as long as 30 and 40 minutes; and that is because the system, with the safety standard that we require, is saturated at that moment, so we have to do two things, as I see it. One, we have to develop a much more capable system. That is, we must have more volume capacity in the air traffic control system, and we are working night and day on that, but it would not yield the capacity we need for at least 3 years. Secondly, we have to have an airport system, because the true bottleneck will be the number of runways actively available to those aircraft seeking to land or take off. Rather than having fewer runways available in this region, which we now have as compared with 5 years ago, for all aircraft, we are going to have to have more.

Mr. DEVINE. Chantilly is roughly what? Twenty-five air miles from Washington National?

Mr. HALABY. Maybe a little less as the crow flies. It is 29 ground miles from the White House to the new airport.

Mr. DEVINE. Is that sufficiently close to interfere with landing patterns each with the other?

Mr. HALABY. No, sir; that is one of the principal reasons why it was located so far out, as I understand it. I had no part in the decision to locate it out there, but it is my understanding that one of the considerations was to provide a wide separation of traffic patterns.

Mr. DEVINE. In tracing these flights in on your radar screen in your terminal towers and picking up the blips, how far do you reach normally in bringing one in? Five miles? Three? Seven?

Mr. HALABY. The onroute traffic control center has a long range, in the order of 100 miles as an average. The approach control radars in the tower have a normal range of 25 to 30 miles, but are also good at 5 to 10 miles.

Mr. DEVINE. I am wondering whether you will be having an overlapping at the international with the national when it is in operation, picking up blips coming into the various airports.

Mr. HALABY. Let us for the moment take 3 years from now as a base. We will then have Andrews Air Force Base with Army, Navy, Marine, and principally Air Force aircraft operations. We would have Washington National, which would then be concentrating on

accommodating short-range propeller and turboprop, and maybe a few pure jet operations, at that airport, and you would have the international airport accommodating primarily the long-range intercontinental and transcontinental jets and a few turboprop and pure jet, medium-range aircraft, and those three patterns would have to be separated but integrated by a regional air traffic control system. We have underway the steps leading to such a system that will handle all of the volume of traffic contemplated for all three fields.

Then, in between those we have to have some small plane airports that will relieve the big airports of the personal and business aircraft operations that can be accommodated at these general aviation fields.

Mr. DEVINE. As a layman, it seems to me we are fast approaching a saturation point in the Greater Washington area.

Mr. HALABY. Sir, I think you mean saturation the way I do, and that is that we have more and more aircraft operations in this area and we have less runways with which to accommodate them, and we have an air traffic control system that is able to accommodate only through delays in order to achieve safety.

Mr. DEVINE. There are more and more aircraft in the same amount of air.

Mr. HALABY. Yes, sir; but this is not to say that it is an insoluble problem. It is to say that the demand and the speed and the performance have exceeded our Government's ability to plan and equip ahead.

Now, the problem is to catch up for this airways lag and have the airports and the system ready when the aircraft are demanded by the public.

Mr. DEVINE. And not sacrifice air safety.

Mr. HALABY. Yes, sir; so we now buy safety with delay. We buy both efficiency and safety with a modern system, and that is what we have to do.

Mr. DEVINE. That is all. Thank you, Mr. Chairman.

Mr. WILLIAMS. Mr. Springer.

Mr. SPRINGER. Mr. Halaby, there are approximately 1,000 average flights in and out of Washington National Airport per day. When Dulles is finished, how do you visualize the division will be of those thousand landings and takeoffs per day?

Mr. HALABY. We have some very fine projections of operations of Washington National and international airports side by side each year. They have been prepared at some expense, and great effort, and they will be as good or bad as the public demand and convenience dictates. I can give you those figures.

Mr. SPRINGER. Can you give me the rough division percentagewise, with 1,000 in and out flights per day? How is that going to be divided?

Mr. HALABY. Do you want to look ahead as far as, say, 1965?

Mr. SPRINGER. Well, the first year, and then the fifth.

Mr. HALABY. The first year is going to be a very high ratio of Washington National over the international, as they start up. The fifth year is more of a balance. Let me just give you the projections made back in the spring based upon an October 1962 operating date. For the year 1963—that would be the first year—total aircraft movements into and out of Washington National, we can expect to be 310,000, international 65,000 for the year 1966, total Washington National 300,000; the international, 250,000.

Mr. SPRINGER. Is it going to increase that much in the meantime? In other words, what you are actually doing is picking them up here and going out there. That is what, in effect, is happening.

Mr. HALABY. That is the projection.

Mr. SPRINGER. 300,000 as against 250,000 in 1966.

Mr. HALABY. Yes, sir.

Mr. SPRINGER. For just a moment, change over to Chicago. When you built O'Hare, you had approximately 1,200 landings and takeoffs a day.

Mr. HALABY. Yes.

Mr. SPRINGER. I think that is the highest in the world. What is the shift-over now?

Mr. HALABY. To Midway?

Mr. SPRINGER. From Midway to O'Hare.

Mr. HOBBS. We would have to supply that.

Mr. HALABY. We will get those and give them to you.

(Information referred to follows:)

Distribution of aircraft arrivals and departures at Midway and O'Hare Airports in Chicago, calendar years 1956-60—Total aircraft arrivals and departures

Calendar year	O'Hare	Midway
1956.....	157,360	372,177
1957.....	209,954	408,059
1958.....	236,060	419,473
1959.....	234,983	431,600
1960.....	244,479	376,030

Mr. SPRINGER. Does anyone have any idea what the percentage of shift is approximately? Go ahead, Don.

Mr. DURAND (Air Transport Association of America). I will have to get them for you.

Mr. SPRINGER. If you do not have them, that is all right. I would just like to find out how that is working out. There is resistance at Chicago. I am one of those, not that I exerted any official pressure. I just do not want to fly to O'Hare. I fly to Midway because I can get in easier and I do not take any flight to O'Hare.

How much pressure is that exerting as a result of this being 29 miles as against 4 miles, which is very similar to the situation we had at Midway. You mentioned this in the sentence you used a moment ago.

Mr. HALABY. Yes, sir. We will not know the answer to that until we have had some experience in the operation. I spent all yesterday morning with Secretary Udall and Budget Director Bell in a helicopter trying to fathom just the answer to that question. We took off from Washington National and pretended to come across the Memorial Bridge and go up the George Washington National Parkway along the river to where it ends about CIA. Then, we imagined traveling on a limousine or bus to the Circumferential Highway, which is about a 4-mile jog in there, and then out what I think of as the new international airport freeway, which is 14½ miles, to the airport.

As you know, that is a single-purpose highway. It is deliberately planned and approved by Congress now for 2 years to be an expressway to the airport. You can only get on it at three interchanges, and

you can only go to the airport, and coming back, you can only go off the freeway to the community. You cannot come from the community onto the freeway. It is deliberately designed not to be a commuter road and the only purpose in this is to make this a kind of an airway from downtown Washington through these parkways out to the airport, and into the sky.

Even with all this, and it has been a very difficult thing to defend this single-purpose highway because some of the local folks out there would like to get access to it, regardless of how it would slow up airport traffic, it is going to be a good hard drive of, I would guess, 30 miles in 40 minutes. Some say 30 minutes.

Mr. SPRINGER. From the White House.

Mr. HALABY. Let us say from the White House to the airport entrance.

Mr. SPRINGER. In 30 minutes.

Mr. HALABY. I do not see 30 minutes. Some say this is possible. I would say 40 minutes or more. It takes some 50 minutes to 65 minutes to Friendship now and under certain conditions, the clog point on the route to Chantilly is going to be the Memorial Bridge, or the Key Bridge, and that portion of the George Washington Parkway to the Chain Bridge. That is going to be the choke point.

After you get beyond that you can go pretty fast.

Mr. SPRINGER. Now we come to the third matter.

Mr. HALABY. But the public is going to decide.

Mr. SPRINGER. The public is going to decide whether they want to fly in or not. Do you visualize this then as an international airport? When I talk about international, I am talking about Mexico City to Washington, from Washington to Havana, from San Francisco-Los Angeles to Washington, Montreal to Washington, Paris to Washington. Are you thinking, in those 250,000 landings and takeoffs in 1966, in those terms?

Mr. HALABY. I think broadly, yes. It is transcontinental and international.

Mr. SPRINGER. These are the big flights, is that correct? Is that sort of the patterns as it looks, without declaring any policy here today? We are just trying to get some information. Is that what it looks like?

Mr. HALABY. That is the general prospect, yes, sir. There will be gateways at Boston, New York, Washington, and Miami as principal gateways into the Eastern Seaboard of the United States; perhaps Philadelphia.

Mr. SPRINGER. You are thinking in terms, I assume, then of Pittsburgh to Washington and Chicago to Washington, St. Louis, and Columbus, and Atlanta to Washington, primarily out here at the Washington National Airport?

Mr. HALABY. It depends on what kind of world we are living in, but there appear to be reasons to believe that from the Atlantic, from the North American Continent, Canada and so on, and from South America, people will enter the United States at Boston, New York, Philadelphia, Baltimore, Washington and Miami as principal international gateways on the eastern seaboard and that volume will be such when combined with transcontinental flights such as Los Angeles-Washington, Seattle-Washington, San Francisco-Washington and by

then Honolulu-Washington, that there will be 250,000 aircraft movements a year.

Mr. SPRINGER. That is all, Mr. Chairman.

Mr. WILLIAMS. Any further questions?

Mr. Macdonald?

Mr. MACDONALD. No questions.

Mr. WILLIAMS. Mr. Devine?

Mr. DEVINE. No, sir.

Mr. HALABY. Mr. Chairman, I have one technical amendment if I might put it in the record. It is a minor matter, but I will read it.

Delete the phrase "paid to Directors of Bureaus of the Federal Aviation Agency" in section 8(a), lines 15 and 16, page 7, and insert in lieu thereof "permissible under section 302(f) of the Federal Aviation Act of 1958."

The reason is that I have an allergy to bureaus and we have changed the names of bureau to services, so instead of being Director of the Bureau of Air Traffic Management, the man is now Director of Air Traffic Service, so this just updates the language since the reorganization of the agency.

Mr. WILLIAMS. All right, sir. I want to join my colleagues in congratulating you on an excellent presentation. In the series of bills which were sent up to the Hill by the Agency one was the so-called concession bill. You know the bill I am talking about.

Mr. HALABY. Yes, sir.

Mr. WILLIAMS. We have tentatively scheduled that to be considered along with this legislation for tomorrow, but I would like to ask you today before we get into the consideration of it, in the event of the enactment of the corporation bill which is presently before the committee, assuming the enactment of this legislation, would that other be necessary?

Mr. HALABY. No, sir.

Mr. WILLIAMS. It would not be necessary?

Mr. HALABY. It would not.

Mr. WILLIAMS. I think you indicated in your statement that you anticipate eventually that you will realize a \$4 million profit out of the operation of this Corporation.

Am I correct in that?

Mr. HALABY. No, sir. That was a sentence in the prepared statement that we now realize \$4 million in revenue from the Washington National Airport.

Mr. WILLIAMS. I see.

Mr. HALABY. I would like to be able to say that.

Mr. WILLIAMS. You do think it will be self-sustaining eventually?

Mr. HALABY. Yes.

Mr. WILLIAMS. Of course, I realize that is subject to the Government Corporation Act, but in the event it should realize a profit, what would happen to that profit? Would that be placed into a reserve fund for the operation of the airport to meet contingencies, or would it be covered into the General Treasury?

Mr. HALABY. It depends on how you define profit, I guess. I am going to ask for a technical answer for that rather than give you a fuzzy, general one. Mr. Alan Dean, Deputy Administrator.

Mr. DEAN. Any profits in excess of expenditures would go into the fund that supports the general operations of the Corporation, but

should that fund reach a size beyond that needed to support the Corporation, the excess would be returned to the appropriation for the Corporation and then into the Treasury as miscellaneous receipts. So there is a technique available here to assure that the Treasury ultimately gets any long-range net profits of the Corporation.

Mr. WILLIAMS. Do you anticipate that there will be a need for an annual appropriation to this Corporation?

Mr. DEAN. The expectation is that there will be an initial appropriation shortly after the enactment of the legislation which will be large enough to meet the anticipated costs of operating the Corporation for several years.

Only if deficits run the appropriation down to the point where there is not an adequate fund would we come back for additional appropriations. The whole concept of the Corporation calls for having the bulk of the cost paid out of the current revenues from services rendered.

Mr. WILLIAMS. All right, sir. That answers that. I would like to ask you about two or three provisions in the bill.

On page 3, section 6, wherein you define the general powers authorized to be exercised by the Corporation, on line 16, subparagraph (4) of section 6, would you explain just what is meant by—

To have, in the payment of debts out of bankrupt, insolvent, or decedent's estates, the priority of the United States?

What is meant by that language and what is the purpose intended to be served by that language?

Mr. DEAN. Could you state where that is again?

Mr. WILLIAMS. That is on page 3, line 16. It is a part of section 6, one of the powers listed under section 6.

Mr. HALABY. I am going to ask Mr. Harold Seidman of our Budget Bureau to answer that one, if I may.

Mr. SEIDMAN. Normally, if the Government has a claim against a bankrupt estate, it has a priority lien. In other words, the first payment would have to be paid of any debts which are owed to the Government, and these will give the Corporation the same status as the Federal Government would have.

Mr. WILLIAMS. Would you give us an example of payment of debts out of bankrupt, or insolvent, or decedent's estates? Would you give us just a hypothetical example of that?

Mr. SEIDMAN. We could take an airline that went bankrupt and owed landing fees to the Airport Corporation, and that would be a priority lien.

Mr. WILLIAMS. I suppose this same situation would be true of an individual owner of an airline?

Mr. SEIDMAN. That is right.

Mr. WILLIAMS. All right, sir.

On page 6 of the bill, and this is one of the powers, the 10th subsection there reads:

To appoint, in accordance with the civil service and classification laws, such officers, attorneys, agents, and employees, to vest them with such powers and duties, and to pay such compensation to them for their services, as may be required by law.

How does that exercise control over this? What degree of control over, for instance, the number of employees that are hired, the number of persons who are paid this \$100 per diem, and that type of thing?

How does Congress, or does Congress, exercise any control over the hiring and firing policies other than that they be subject to the civil service classification law?

Mr. DEAN. In addition to this statute, the Corporation would be required to submit an annual budget which would set forth its entire program and would indicate for the current year and the coming year the ways in which the funds of the Corporation are to be used and the sources from which receipts are derived.

The Appropriations Committee with respect to other corporations frequently asks searching questions on just this type of point and the Congress does have the right of prescribing an administrative expense limitation of any type it chooses in the individual annual appropriation bill. That has been done for many corporations.

Mr. WILLIAMS. I just want to get several points clarified that I noticed in going over the bill rather hurriedly.

On page 10, which is part of section 9 establishing the National Capital Airports Fund, it says that the capital of the fund shall consist of (1), (2), (3), (4), and so on. It provides this subsection (3) as follows:

Such of the unexpended balances of appropriations available for use by the Federal Aviation Agency for the construction, development, operation, or maintenance of any airport which is, or may be transferred to the Corporation under this act, as may be determined by the Administrator and approved by the Director of the Bureau of the Budget;

I am wondering if it would not be more proper to have that approved by the Congress, rather than the Bureau of the Budget. In other words, the question of congressional control enters the picture here, and I may be entirely mistaken in my interpretation of that language, but does that take this out of the hands of the Congress?

Mr. DEAN. Mr. Chairman, this is largely an administrative provision. All the funds referred to in this provision will have been already reviewed and appropriated by the Congress under previous appropriation bills. It is simply an administrative device to lump in the fund the money which Congress has already supplied.

In order to assure that this is done in accordance with good financial practice, the Director of the Bureau of the Budget is required to approve what is done, but this does not provide new appropriations of any sort for the Corporation.

Mr. HALABY. In other words, the airport will be funded and authorized, and the approval of the value of the assets of that airport transferred into the Corporation determined by the Administrator would be reviewed by the Director of the Bureau of the Budget. It is more of an accounting review than a funds control review, because the money will have already been spent and will have become an asset of that airport which is transferred in.

Mr. WILLIAMS. All right, sir. I just wanted to raise that point. The committee, of course, will go into that later.

On page 15 there is a proviso beginning at the bottom of page 14 with respect to the use of these airports by the Department of Defense, a proviso that would give the Administrator authority to curtail or limit the use of facilities by aircraft of the Department of Defense, the criterion being—

if such use, in his judgment, unreasonably impairs or interferes with the use of those facilities by civil aircraft.

As far as I see it here, that is the only criterion to be followed by the Administrator in his limiting the use of the airport by the Department of Defense. I am wondering if we should not add to that language which would provide essentially—

or unless such use should be essential to the needs of national defense.

In other words, how would this be handled in time of national emergency? Would the needs of the national defense be a proper element to be taken into consideration here along with the element of unreasonably impairing or interfering with the use of the facilities by civil aircraft?

Mr. HALABY. Yes, I see your point.

Mr. WILLIAMS. I am wondering if the impairment of or interference with the use of those facilities by civil aircraft should be the only criterion to be followed in making this determination.

Mr. HALABY. We cleared this with the Department of Defense, but I think you have a point and certainly, the intention is that in an emergency or in war the use by the Department of Defense would, of course, be paramount and you would have to judge whether the use for national defense was necessary. It would not be just interference with civil operations.

Mr. WILLIAMS. Even though the needs for the national defense might impair or interfere with civil operations?

This is rather restrictive language it would appear to me and I wondered possibly if the Agency might give some thought to that and might get together with the Department of Defense and suggest some language for possible amendment to this legislation that would clarify that point. I can foresee a situation where the national defense would require the use of that airport regardless of how it might affect the operation of the civil aircraft, and I think perhaps in the drafting of this legislation, the committee should make necessary provision for that, certainly in the case of emergency.

Mr. HALABY. Yes, sir.

In the positive portion here of section 12, it says it is to be used by Defense; and only if the Administrator curtails or limits it due to unreasonable interference. You could say that the wartime operation of Defense was a reasonable use and a reasonable interference with the facilities used by civil aircraft, but I think your point is a good one.

Mr. WILLIAMS. Would it be too much of an imposition to request the Agency to furnish us with a memo on that?

Mr. HALABY. No, sir; we will do that. It is a very good point.

Mr. WILLIAMS. I believe those are all the questions that I have.

Mr. Macdonald?

Mr. MACDONALD. I just have one, and I do not mean to be taxi-happy today, but, Mr. Hobbs, did I understand you to say, sir, that this company pays 13.8 percent of its gross to the airport?

Mr. HOBBS. That is Airport Transport Co.'s gross revenues; yes, sir.

Mr. MACDONALD. And they pay \$175,000?

Mr. HOBBS. Roughly.

Mr. MACDONALD. And that is gross?

Mr. HOBBS. That is what they paid to us.

Mr. MACDONALD. They must be doing fairly well then.

Mr. HOBBS. They are doing all right, sir.

Mr. HALABY. That is over a million dollars. Are you doing the mental calculations I am, that the total gross revenues must be over a million dollars?

Mr. MACDONALD. It is staggering to me, and I suppose that will be double when the airport at Dulles is open, would it not?

Mr. HOBBS. It should be with two airports. At the beginning, of course, it will not.

Mr. HALABY. Let us be sure. Is that total just the taxicabs?

Mr. HOBBS. That is the total operation.

Mr. HALABY. Cabs and limousines?

Mr. HOBBS. Yes.

Mr. HALABY. That does not include the buses over to Friendship or anything like that?

Mr. HOBBS. No, sir.

Mr. HALABY. This is just the Washington National cabs and limousines?

Mr. HOBBS. Yes.

Mr. HALABY. That is an annual gross revenue of more than a million dollars?

Mr. MUNSON. At the current rate of payment.

Mr. HALABY. Of which we get the \$175,000.

Mr. MACDONALD. How was the figure 13.8 percent arrived at?

Mr. MUNSON. There is a sliding scale. There is a certain percentage of the first \$750,000 of company revenues. I cannot recall the specifics, but with the next increment of the company's gross revenue, the percentage goes up another percent, so that based on the operators total revenues the current payment averages out about 13.8 percent. I recall this number because of a recent proceeding. Rates are approved by the recently established Washington Metropolitan Area Transit Commission. There has been a rate proceeding and a determination just within the last few days on these rates. I can supply for the record the specific escalation of the percentage factor, but there is an escalation factor regarding payments to the Government.

Mr. HALABY. We do not determine his rate.

Mr. MUNSON. His rates are determined by the newly established Washington Metropolitan Area Transit Commission.

Mr. MACDONALD. Duly licensed?

Mr. MUNSON. Yes, sir.

Mr. MACDONALD. Otherwise, he is under the jurisdiction of the District of Columbia?

Mr. MUNSON. His rates are determined by this Commission, yes.

Mr. MACDONALD. Are plates and that sort of thing, Virginia or the District?

Mr. MUNSON. The Commission is composed of a representative from the State of Virginia, from the District of Columbia, and from Maryland.

Mr. HALABY. He said license plates.

Mr. MUNSON. License plates are from Virginia and the District.

Mr. MACDONALD. Thank you, Mr. Chairman.

Mr. WILLIAMS. Any other questions?

Thank you very much, Mr. Halaby.

Mr. HALABY. Thank you.

Mr. WILLIAMS. We have a representative of the General Accounting Office who has a very short statement. If not interrupted by a quorum call, we might be able to hear your presentation.

For the sake of the record, Mr. Savage, will you identify yourself and your associates?

STATEMENT OF SIMMONS B. SAVAGE, JR., ASSOCIATE DIRECTOR, ACCOUNTING AND AUDITING POLICY STAFF, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY FREDERICK A. RANDALL, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION; AND ARCH B. BROWN, ATTORNEY, OFFICE OF GENERAL COUNSEL

Mr. SAVAGE. Mr. Chairman, my name is Simmons B. Savage, Jr., Associate Director of the Accounting and Auditing Policy Staff of the General Accounting Office.

On my right is Mr. Frederick A. Randall, who is supervisory accountant in the Civil Accounting and Auditing Division of our Office, and on my left is Mr. Arch B. Brown, attorney with our Office of General Counsel.

Mr. Chairman and members of the committee, we appreciate the opportunity to appear here today to present our views on H.R. 7399, to create the National Capital Airports Corporation, to provide for the operation of the federally owned civil airports in the District of Columbia or its vicinity by the Corporation, and for other purposes.

In our report of July 17, 1961, on this proposed legislation, we advised that we were unable to recommend favorable consideration of H.R. 7399, and explained our reasons for this conclusion in some detail. In the interest of brevity, we therefore plan at this time only to summarize the reasons for our conclusion.

As an agent of the Congress, we are concerned with any lessening of congressional control which may result from incorporation or a change to revolving fund financing, which customarily is employed in the corporate form of organization.

In analyzing the bill and the reasons advanced for its passage, we have applied the standard that the public interest is best served when congressional control of Federal activities is exercised through the annual reviews and affirmative action on planned programs and financing requirements which attend the appropriation processes, and the application of statutes and regulations which usually govern the operations of Government agencies.

We regard any proposal which does not provide for the equivalent of these safeguards as a lessening of congressional control which we feel it is our duty to call to the attention of the Congress.

In our opinion, a lessening of congressional control is justified only when a net advantage to the government, in terms of greater program effectiveness and efficiency and economy in operation, can be expected to result, or on a clear showing that an activity cannot be successfully operated in the public interest within the controls which usually apply to Government agencies. All practical means available within the regular structure should be fully explored.

In reaching a judgment as to the probable net advantage or disadvantage to the Government, we examine the pertinent factors and

circumstances involved in each proposal and the reasons advanced for the change. Unless one of the foregoing conditions is apparent as a result of these analyses, we feel it is our responsibility to recommend against favorable consideration.

H.R. 7399 proposes to confer on the airports management a substantial amount of freedom from the restraints which are imposed on conventional agencies which are financed by appropriations. When we consider the reasons advanced to support the need for this change, it seems to us that some of the objectives, such as improved budgeting, accounting, and reporting, could be accomplished without any change in organization or financing method. Others, such as a justified need for financial flexibility to meet emergencies and unpredictable fluctuations in the demand for airport services, also, in our opinion, can be met through the regular appropriation processes in the manner suggested in the Comptroller General's letter of July 17, 1961, to the committee.

The claim that a Corporation would be able to conduct business negotiations with other commercial entities on a more satisfactory basis does not seem to us to be well founded. Many unincorporated Federal agencies regularly conduct business with private commercial organizations, and we have no information that they are hampered in such activities by lack of corporate status.

The statement in the letter of the Administrator, Federal Aviation Agency, in transmitting the draft bill to the Congress, that a commercial airport operation is precisely the kind of predominantly business type activity for which the Congress has made provision by enacting the Government Corporation Control Act of 1945, does not agree with our understanding of the primary objectives of such act, and we would like to mention that our office played an important role in securing its adoption.

This statement seems to suggest that recognition by the Congress of the Corporation structure as an acceptable means of conducting certain Government activities may be regarded as a declaration of congressional intention that the Corporation structure for certain types of activities is to be preferred over the conventional organizational and financing structure.

We believe that this conclusion is not compatible with the Government Corporation Control Act and related circumstances. Instead, the basic intention of the Congress in enacting the act was to give it the means to exercise control over, and otherwise restrict, incorporated activities, rather than to create new corporations.

Our analysis of the reasons advanced for the incorporation of the local airports leads us to conclude that the proposed change is neither necessary nor desirable. We are, therefore, unable to recommend favorable consideration of H.R. 7399.

Should the committee, after considering all of the above comments, conclude that incorporation of the airports would better serve the public interest than the present organization and financing methods, we suggest that certain revisions in the provisions of H.R. 7399 be considered. These suggestions are contained in the Comptroller General's letter to the committee dated July 17, 1961.

This concludes our prepared comments on the bill. We will be glad to try to answer any questions which the committee may have.

Mr. WILLIAMS. Thank you very much, Mr. Savage.

In the event the committee should decide to approve this legislation, we will most certainly give consideration to the amendments which are suggested in the letter of the Comptroller General to the chairman.

Are there any questions of Mr. Savage?

Mr. Macdonald?

Mr. MACDONALD. No questions.

Mr. WILLIAMS. Mr. Devine.

Mr. DEVINE. No questions.

Mr. WILLIAMS. I do not believe I have any questions, either.

Thank you very much.

The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 12:05 p.m., the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, July 19, 1961.)

NATIONAL CAPITAL AIRPORTS

WEDNESDAY, JULY 19, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee, met at 10 a.m., pursuant to recess, in room 1334, House Office Building, Hon. Samuel N. Friedel presiding.

Mr. FRIEDEL. The Subcommittee on Transportation and Aeronautics is meeting this morning to continue hearings on H.R. 7399, a bill to establish a National Capital Airports Corporation.

Our witness this morning is Mr. J. D. Durand, representing the Air Transport Association. Mr. Durand.

STATEMENT OF J. D. DURAND, ASSISTANT GENERAL COUNSEL, AIR TRANSPORT ASSOCIATION OF AMERICA, WASHINGTON, D.C.

Mr. DURAND. Mr. Chairman and Mr. Devine, my name is J. D. Durand. I am secretary and assistant general counsel of the Air Transport Association of America, which is composed of substantially all of the U.S.-flag certificated airlines, and of all of such airlines operating at Washington National Airport.

We appreciate this opportunity of discussing with the committee H.R. 7399, which would provide for the creation of the National Capital Airports Corporation, to own and operate Washington National Airport, Dulles International Airport and such other federally owned civil airports in the District of Columbia or its vicinity as may be transferred to it.

Thirteen of our airlines operate into Washington National—Allegheny, American, Braniff, Delta, Eastern, Lake Central, National, Northeast, Northwest, Pan American, Piedmont, Trans World and United. It is the principal office and operating base for Allegheny.

Because H.R. 7399 would drastically affect the conditions under which the airlines use Washington National and Dulles International, it is of vital importance to them.

Our review of this bill has been influenced by a number of considerations. First, that the industry's experience with corporate authorities points up that in many instances their administrative costs are disproportionately high in comparison to the job they do. There is a tendency for such authorities to become larger and more expensive than necessary.

An airline lease negotiator told me that he had requested an airport authority to provide a certain needed service and was informed that while the airport management was willing to perform the service,

it would be better for the airline to do so itself since the cost would be lower that way.

Our review of this bill also has been influenced by the fact that Dulles International will not be an ordinary airport. It will be a national-interest airport—in a sense a national monument—serving as a symbol of the United States to official visitors of state from all over the world, and to the many tourists from this country and from foreign countries. This aspect of the airport was well characterized by Senator Payne during the Senate Commerce Committee's hearings in 1955, on the need for an additional airport for the National Capital. Senator Payne stated, in part:

* * * I think it ought to be the last word here in the Capital so that when * * * people come from the States * * * etc., that they will take a look at this and say, "This is the last word." * * * (Hearing before a subcommittee of the Committee on Interstate and Foreign Commerce, U.S. Senate, 84th Cong. 1st sess. on Washington National Airport facilities, July 21, 1955, p. 39.)

We certainly do not wish to be understood as saying that Dulles International should not be a "prestige" airport, but we do believe that the airlines and other users should not be expected to bear the costs attributable to its development and operation as such an airport, that is, costs not attributable to the needs of the commercial users of the field.

Finally, our review of H.R. 7399 was influenced by a recognition of the large increases in traffic which will be necessary to support Washington National, Dulles International, and Friendship—all within a radius of 28 air miles of the White House—and the need for keeping the fees and charges at Dulles in line with those at the other two airports if the full potential of Dulles is to be realized.

Many of the carriers will find it necessary to have personnel and facilities at Washington National, Friendship, and Dulles. This duplication is expensive and a matter of deep concern to an industry which is in serious financial difficulties. The domestic trunk airlines had a net loss of \$4,361,000 during May 1961, bringing their total losses for the first 5 months of this year to \$19,670,000. These losses were substantially greater than they were for the same period in 1960, when the airlines ended up with a full-year profit of only \$1,188,000. Revenue passenger-miles flown by the domestic trunks during the first 6 months of 1961 totaled 1.9 percent less than the total for the corresponding period in 1960.

The airlines are under constant pressure to effect every operating economy. It is imperative, therefore, that fees and charges at Dulles be kept in line with those imposed at Washington National Airport and Friendship if the large volume of operations needed to support the new airport are ever to be realized.

After intensive study of the bill, particularly in the light of considerations which I have summarized above, the industry has concluded that it cannot support this legislation in its present form. Amendments to the bill are needed if the interests of the airlines and other airport tenants are to be adequately protected and the fullest utilization of Dulles International is to be realized. I would like to summarize, in the order of the sections of the bill, the principal problems which the bill creates for the airlines, and our recommended solutions.

Section 5.—This section states one of the basic policies of the legislation, namely, that in establishing rates and charges, the corporation shall consider that it is in the public interest to operate any airport transferred to it by or under the incorporation act, on a self-sustaining business enterprise basis, consistent with sound commercial practice and with due regard to all costs and interest on the Government's investment.

We believe this section should be amended to reflect a number of other policy considerations. First, fees and charges for the aeronautical use of the airport and its facilities should be fair and reasonable.

Second, since it is likely that the airlines serving Washington National will not in all cases be the same as those serving Dulles International, it would not be fair or reasonable to the users of one airport operated by the Corporation to apply the "profits" from the airport against any deficiency at another airport belonging to the Corporation.

Third, while self-sufficiency is a worthwhile goal, it cannot be achieved for a considerable period of time at a new installation such as Dulles International, since it requires a traffic volume which will only be developed over a period of years.

Fourth, section 5 should reflect the fact that, as I stated previously, Dulles will be more than an airport; it will also be a national monument. This concept has greatly influenced its design, and has prevailed despite expressions of concern from the users.

Fifth, section 5 should reflect the overriding duty of the Administrator to promote, encourage, and develop civil aeronautics.

Finally, in order to insure fulfillment of these objectives, recourse to arbitration should be specifically provided for.

In view of the foregoing, we recommend that section 5 be amended to read substantially as follows:

SEC. 5. Notwithstanding any other provision of law, in establishing rates and charges for use and services, the Corporation shall be governed by the following policies:

(1) Each airport under the jurisdiction of the Corporation shall be considered as a separate entity;

(2) Rates and charges shall be fair and reasonable and shall not exceed rates and charges imposed at comparable airports at other points in the United States;

(3) Ultimately each such airport shall be operated on a self-sustaining basis so that current expenditures shall not exceed current revenues after excluding any costs attributable to—

(a) Facilities and functions at such airport provided for purposes other than, or in excess of, the needs of the commercial users of the airport or

(b) Facilities constructed with funds regarded, for the purpose of Section

9(b) (1), as Federal grants-in-aid, or

(c) Capacity in excess of current use of the airport;

(4) Recognition should be given to the fact that it is the statutory duty of the Administrator to promote, encourage, and develop civil aeronautics;

(5) In the event of the failure of the Corporation and any airport user to agree upon the fairness or reasonableness of any rate or charge proposed hereunder, the disagreement shall be subject to arbitration pursuant to the provisions of the Federal Arbitration Act.

Section 6: This section confers upon the Corporation a number of general powers, one (subsec. (6)) being the authority to—

construct, operate, and maintain buildings, facilities, and other improvements, including access roads" and "to charge for the use of the foregoing."

This strongly implies that the Corporation shall have authority to construct a public highway or highways leading to an airport and to

charge the airlines therefor. It is not believed this was the intention of the drafters of this bill.

Obviously, the airlines could not pay the heavy charges which would result if the cost of such roads were assigned to them. The cost of access roads within the boundaries of the airport is, on the other hand, a proper charge against those who use them. In view of the foregoing, it is recommended that the following proviso be inserted at the end of subsection (6) (line 6, p. 5) :

Provided, however, That the air carriers shall not be charged for access roads not located on the airport.

Furthermore, the provision in subsection (6) relating to charges for the use of airport facilities and improvements should be amended to reflect that such charges shall be fair and reasonable.

Accordingly, it is recommended that the word "charge" in subsection (6) (line 6, p. 5) be deleted and that there be inserted in lieu thereof the phrase "impose fair and reasonable charges."

Subsection (9) of section v should be amended to make it clear that the fees and charges specified in contracts and leases with the airlines shall be arrived at on the basis of negotiations with such users, as they are at other airports in this country, and shall be fair and reasonable. Accordingly, we recommend that the following proviso be added at the end of subsection (9) (line 2, p. 6) :

Provided, however, That the fees and charges, and other terms and conditions contained in such contracts or leases with the air carriers, shall be arrived at by negotiation with such carriers and shall be fair and reasonable.

Our review of section 6 and of the remaining sections of the bill indicates that the Corporation would not be authorized to borrow money for the construction of airport facilities. It is believed the Corporation should have this authority with respect to self-amortizing, essential facilities, such as hangars. This type of structure is so important to airline operations and the cost is so substantial that we believe a specific amendment to section 6 to authorize the Corporation to borrow money to construct hangars is necessary. This authority could be qualified to make such borrowing depend on the existence of firm leases providing for the amortization of the loan.

Section 8: Subsection (c) of this section establishes an Advisory Board of five members to review and advise the Administrator regarding the general policies of the Corporation, including those relative to rates and charges, design and construction of facilities, and administration of the airports.

To give the Advisory Board the status to which we think it is entitled, we believe that subsection (c) should be amended to provide that in each case where the Administrator or the General Manager disagrees with a recommendation of the Board, he shall be required advise the Board in writing, in detail, of the reasons for his disagreement. Accordingly, it is recommended that the following sentence be added after the word "thereto" in line 23, page 8 :

In the event that the Administrator or the Manager does not implement a recommendation of the Board, he shall, in each instance, advise the Board in writing, in detail, of his reasons for not doing so.

Section 9: This section provides for the establishment and administration of a National Capital Airports Fund. It includes a provision

that the Corporation shall annually pay into the U.S. Treasury interest on that portion of the capital fund which is equivalent to the share that would be supplied by the local government had the airports been built and developed under the Federal Airport Act with maximum Federal grants-in-aid. We have a number of suggestions for amendments to this section.

First, although we understand that it is the intention of the FAA not to amortize that portion of the fund which is the equivalent of the Federal Government's share of the investment in the airports, had they been built with maximum grants-in-aid under the Federal Airport Act, there is no provision in section 9 which would accomplish this result. Because of the direct and important bearing this limitation would have on fees and charges at the airports in question, we urge that section 9 be amended to provide specifically that that portion of the fund which is the equivalent of the Federal Government's share of the investment in the airports had they been built with maximum grants-in-aid under the Federal Airport Act, should not be amortized.

Second, since access roads beyond the boundaries of the airports are not properly to be considered a part of those facilities, the cost or assessed valuation of such roads should not be placed in the capital fund. Accordingly, it is recommended that section 9(a)(4) be amended by adding at the end thereof (line 18, p. 10) the following:

Access roads not within the boundary of the airport shall not be considered as an asset of the airport.

Furthermore, we believe amendments are needed to subsection (b) of section 9, which deals with the basis on which interest is to be computed and when it is to be paid.

Subsection (b) provides, in effect, that interest shall be paid on that portion of the capital of the fund which is equivalent to the local share that would have been supplied by the local community had the airports been built under the Federal Airport Act, and that interest shall accrue as soon as the fund is created and shall be paid each fiscal year.

It is obvious that for a number of years after Dulles International commences operation the fees and charges properly assessable against airport tenants will, because of the comparatively light volume of traffic at the field, not cover operating and maintenance costs, let alone interest charges.

Thus, the airport will not be able to sustain any interest charge on that portion of the assets in the fund assignable to it. If subsection (b) is permitted to remain in its present form the unavoidable but unfortunate result will be the necessity of substantial deficiency appropriations by Congress for a considerable number of years—with the end result that Congress will be taking money out of one pocket of the Federal Government to put it in another.

This useless transaction should be avoided by amending the section to provide, in effect, that interest on the portion of the capital fund assignable to Dulles Airport, or any other airport acquired by the Corporation, shall not be due and payable until the revenues generated at that field exceed the maintenance and operating costs of the field. Accordingly, it is recommended that the following clause be inserted

after the word "fund" in the first sentence of subsection (b) (line 22, p. 10) :

, excluding that portion of the capital of the fund assignable to any airport under the jurisdiction of the Corporation with respect to which the revenues produced from the operation of the airport do not exceed the cost of the operation and maintenance thereof.

Finally, it is recommended that subsection (b) (1) be amended to make it clear that the "local share" as that phrase is used in the said subsection refers to the local share of the depreciated cost of the airport as of the year in which the interest payment is made. To this end, it is recommended that there be added at the end of subsection (b) (1) the following provision (line 5, p. 11) :

Such local share shall be computed on the depreciated cost of the airport as of the year in which the interest payment is made.

Section 12: This section, in effect, would authorize military aircraft to use, without charge, the airports owned by the Corporation. Since this legislation is based on the concept of a self-sustaining airport operation, it does not appear that free use by the military can be justified. Accordingly, it is recommended that section 12 be revised to provide that if, in the judgment of the Administrator, military use is substantial, the military shall be charged the same fees as civil aeronautical users.

Section 15: This section, among other things, transfers to the Corporation all property, real, personal, and mixed, operated by the Administrator at the Washington National Airport. To take care of the situation where property at Washington National may be operated by the Administrator but with respect to which title is not in the FAA or the United States, it is suggested that this provision be amended by inserting after the word "mixed" in line 20, page 15, the phrase "title to which is in the United States."

Section 17: This section authorizes the General Manager to make reasonable rules and regulations regarding the operation of the airports. It is not believed that it was intended by this section to authorize the General Manager to promulgate such rules or regulations as may impair or supersede any rights or obligations an airport tenant would have under his lease with the Corporation.

This possible source of future difficulty should be removed at this time by amending section 17(a) by adding thereto an additional sentence (line 11, p. 18) reading as follows:

Such rules or regulations shall not impair any contract or lease previously entered into by the corporation with any aeronautical user of the airport.

Mr. Chairman, I realize that portions of my statement have, necessarily, been rather technical. If the committee desires us to do so, we would be glad to work with the committee's staff and the FAA in reviewing these amendments in detail.

May I add, Mr. Chairman, that while my statement has been very critical of the bill, the airline industry feels that there is much merit in an incorporation bill. We are not opposed to incorporation.

We do feel that the present bill is unsatisfactory. It needs to be amended to make clear certain rights and obligations of the tenants and rights and obligations of the FAA with regard to the corporate fund, and with regard to fees and charges, to the end that fees and

charges will be reasonable and that the airport will be used to its fullest extent.

We would be very happy to sit down with the committee's staff and with the FAA and discuss these amendments. There have been some discussions with the FAA already within the limited time available, and we have reason to believe that some of our suggestions are not opposed by them.

We think that there would be good reason to sit down with the FAA and try to work out the problems that we have raised and then hopefully to come back to the committee with a bill that we would be more nearly in agreement on. If the record can be kept open for a short time, and the committee desires us to do so, we stand ready this afternoon to sit down with the FAA and the committee's staff and try to iron out some of our problems.

Mr. FRIEDEL. That is a very good suggestion, but I would rather wait until the chairman of the subcommittee arrives and let him make the decision.

Mr. Jarman?

Mr. JARMAN. Mr. Chairman, I think Mr. Durand has made an excellent and a thought-provoking statement. I for one on the committee would be very much interested in the Air Transport Association having a conference with the FAA and getting detailed reaction from the FAA on these recommendations.

One thing I would like to ask about is with regard to the arbitration procedure pursuant to the provisions of the Federal Arbitration Act. You recommend that in the event of the failure of the corporation and any airport user to agree upon the fairness or reasonableness of any rate or charge proposed thereunder, the disagreement shall be subject to such arbitration. What is the normal procedure under the arbitration provisions?

Mr. DURAND. Mr. Jarman, there is a provision in the United States Code which covers arbitration. Unfortunately, I am not this morning able to summarize all those provisions of law, but there is an existing provision providing for arbitration. It provides generally that you submit your dispute to an impartial panel and then you are bound by the decision.

We would like that sort of a provision with regard to fees and charges at the airport. The arbitration provisions of the United States Code do not apply to the executive departments of the U.S. Government, but, as I understand the purpose of this bill, it is to set up an independent corporation. Admittedly, it would be an instrumentality of the United States, but it is a corporation with the rights and privileges of a corporation.

Therefore, I do not think it would be a mistake or improper for compulsory arbitration to be established in this case. If it is a corporation, it should act like a corporation.

Mr. JARMAN. Thank you very much.

Thank you, Mr. Chairman.

Mr. FRIEDEL. Mr. Devine.

Mr. DEVINE. Thank you, Mr. Chairman.

Mr. Durand, referring to your statement on page 5, section 5, subsection (2), you say:

Rates and charges shall be fair and reasonable and shall not exceed rates and charges imposed at comparable airports at other points in the United States.

According to the sentiment or statement of Senator Payne, I do not know which—this new facility at Chantilly is supposed to be “out of this world” and there is nothing comparable with it, so would not that be a rather futile section? There are no other comparable airports.

Mr. DURAND. Well, I see your point, Mr. Devine. What we are trying to get at here, and possibly the language could be improved, is that we do not want to pay for costs which are attributable to making the field a national monument.

Mr. DEVINE. I can understand that.

Mr. DURAND. So we think that a reference to other airports of cities of like size, with similar amounts of traffic and so forth, would be helpful in judging the reasonableness of these fees here.

However, I see what you mean. If you regard this as a national monument, then there is no other comparable airport. We would say, put those costs aside and regard it as a commercial, international hub airport, and then look at the fees and charges at other airports of that class and see if the fees at Dulles would be out of line.

Mr. DEVINE. In order to set the record unmistakably clear, is it the position of ATA that you are opposed to the bill, but that if a bill is going to pass, you would recommend that these amendments be adopted?

Mr. DURAND. I would rather put it this way, Mr. Devine: that we think there is much merit in a Federal corporation to own and operate these fields, and we think that a bill can be written which would accomplish that and be quite acceptable and be supported by the commercial users of the field.

Mr. DEVINE. You would prefer the corporation approach rather than the manner in which it is presently being operated at, say, Washington National?

Mr. DURAND. Let me say, first of all, that we think that the CAA did and the FAA is doing an excellent job in operating WNA.

The Administrator outlined some difficulties that he found with operating Washington National as an activity of the Bureau. We think that the fees have been reasonable and that the operation has been an excellent one. We have no criticism whatsoever of the overall operation of the field by the FAA.

With Dulles coming into operation, and with possibly a third airport to be owned and run by the Federal Government, it becomes much more complicated, and it may well be that as those additional airports come under the wing of the FAA a corporation would be a more flexible, more efficient, better way of running the fields. Therefore, we do not oppose incorporation of these fields provided that certain statutory safeguards are written into the legislation.

Have I answered your question, sir?

Mr. DEVINE. You are skating all around it. I think perhaps it would be accurate to say that your association's position is just about as flexible as your statement.

Mr. DURAND. Yes, it is flexible, but it is affirmative, I think. It is affirmative to this extent: That if legislation can be drawn the substance of our proposals, we would actively support it.

Mr. DEVINE. That is all, Mr. Chairman.

Mr. FRIEDEL. Mr. Durand, can you tell us how Friendship compares with Washington National Airport as far as the rates are concerned to the airlines?

Mr. DURAND. I cannot, sir. I believe perhaps there are gentlemen in the room who can answer it.

Mr. FRIEDEL. The reason I asked that question is, I know just recently they raised the fees at Friendship to bring them more in line with other airports. Naturally, the airlines, and I can understand, did not want to pay the higher fees. They finally agreed to a compromise.

Is it true that no matter what they charge there is going to be a protest from the airlines that the rate is too high?

Mr. DURAND. Well, Mr Friedel, there are airline officers whose sole duty it is to negotiate rates and charges at airports and, naturally, they want to do a good job for their corporation. Since fees and charges are established by negotiation, they, generally speaking, oppose any increases.

In 99 cases out of 100, when increases are proposed, there is a negotiation, a butting of heads, so to speak, when the landlord and the tenant negotiate, and then something is worked out and the lease is signed.

Maybe both parties are not as happy as they might be, but generally there is an agreement.

Mr. FRIEDEL. I know Friendship was in the red a long, long time. They are just trying to get out of the red, but getting back to your statement on page 5 in subsection (3) (b) you say:

Facilities constructed with funds regarded, for the purpose of section (9) (b) (1) as Federal grants-in-aid, or—

is it your interpretation that Chantilly and Washington National Airport will come under this Federal Airport Act and get funds?

Mr. DURAND. It is my understanding of the Federal Airport Act, Mr. Friedel, that the airports owned by this Corporation, if this legislation is approved, would not be eligible for Federal funds under the Federal Airport Act.

Mr. FRIEDEL. Would not be?

Mr. DURAND. Would not be; no, sir. That act provides for grants to sponsors, and I am pretty sure that by reference to the definitions in the act, sponsors are defined as local communities, State or local communities, so I do not believe that these airports would be eligible for Federal Airport Act money.

Mr. FRIEDEL. Why would you want section (b) then?

Mr. DURAND. For this reason, sir. The policy of the Federal Government, the CAA and now the FAA, and the policy enunciated in the legislative history of the Federal Airport Act, is that when a local community negotiates fees and charges with the aeronautical users, the rate base is determined with reference to the local money that is put into the airports. It does not include Federal-aid funds which are granted to the community and which should not be recovered by the community.

In other words, if an airport cost a million dollars and \$600,000 was put in by the local community and \$400,000 by the Federal Government—and that is a little high on the Federal side; it is usually less than that—the FAA recommendation to local communities is that they should not amortize the \$400,000. If they want to amortize the cost, they should amortize the cost to the local community, which is the \$600,000, and that is what we are trying to say here.

Mr. FRIEDEL. As I understand your proposal, you are proposing amendments relative to the Corporation?

Mr. DURAND. Yes, sir.

Mr. FRIEDEL. Do they get any Federal grants-in-aid? You are speaking about local communities, but would Chantilly, or would this Corporation get any grants-in-aid?

Mr. DURAND. The Corporation will not get any grants-in-aid within the meaning of the Federal Airport Act, or under the Federal Airport Act. These airports, of course, will be built entirely with Federal funds.

Now the legislation contemplates, however, that in assessing fees and charges you will regard the airport as having been built under the Federal Airport Act with a local share and a Federal share. This is a legislative assumption. The bill then provides that in charging interest to the airport tenants, the airlines and the concessionaires, the interest on the investment, you only charge interest on what would have been the local share had the airports been built under the Federal Airport Act.

Mr. FRIEDEL. Under the corporation all of the money will be Federal funds.

Mr. DURAND. It will, sir, but under this bill, say the airport cost \$100 million and say that the Administrator determined that had it been built under the Federal Airport Act there would have been, say, \$600,000 of funds put up by the State of Virginia—

Mr. FRIEDEL. This bill will not do that?

Mr. DURAND. No, it will not do that, but in assessing the amount of interest that the Corporation must pay to the Federal Government, you regard the airport as having been built under the Federal Airport Act.

Mr. FRIEDEL. I understand your theory and what you are getting at, but I cannot see how that will have any effect on this bill because all of the money, if we adopt this Corporation bill, will be Federal funds.

Mr. DURAND. That is right.

Mr. FRIEDEL. All of it.

Mr. DURAND. But no Federal funds from under the Federal Airport Act.

Mr. FRIEDEL. Then I do not see the necessity of having this language in here:

facilities constructed with funds regarded * * * as Federal grants-in-aid.

I can understand if it is a local airport some other place, but under this Corporation bill, all moneys will be appropriated by the Appropriations Committee for the Corporation.

Mr. DURAND. To get it started, yes, sir, and then hopefully it will be a self-sustaining operation thereafter.

Mr. Friedel, the purpose of the legislation is not to require the Corporation to pay interest to the Federal Government on the whole investment. The Corporation is only required to pay interest on a portion of the investment. It makes it a little easier for the Corporation to run the airport. It does not saddle the Corporation with quite the burden that it would have if it had to pay interest on the whole investment. We are for that.

Mr. FRIEDEL. I want you to stay around because we are going to have someone from the FAA try to solve this problem, if we can.

Mr. WILLIAMS (presiding). Mr. Howard? Will you come around, please? Would you identify yourself for the record, please?

STATEMENTS OF DAGGETT H. HOWARD, GENERAL COUNSEL, FEDERAL AVIATION AGENCY; G. WARD HOBBS, DIRECTOR, BUREAU OF NATIONAL CAPITAL AIRPORTS; AND ALAN L. DEAN, ASSISTANT ADMINISTRATOR FOR MANAGEMENT SERVICES

Mr. HOWARD. I am Daggett Howard, General Counsel of the Federal Aviation Agency.

Mr. WILLIAMS. Mr. Howard, with respect to H.R. 7398, concerning concessions at the Washington National Airport, are you prepared to give us testimony on behalf of the FAA?

Mr. HOWARD. Mr. Chairman, we are prepared to give testimony. However, in light of the fact that enactment of the incorporation act would eliminate the necessity of concession legislation, I think that we would prefer to defer consideration of that at this time if that is acceptable.

Mr. WILLIAMS. The Chair thinks that is a reasonable request, and it will be so honored. I understand that you would like to present some additional testimony regarding the Corporation.

Mr. HOWARD. We would, Mr. Chairman.

Mr. WILLIAMS. Do you care to do that this morning?

Mr. HOWARD. I think we would prefer to do it this morning if that is agreeable with the chairman.

Mr. WILLIAMS. All right. You may proceed.

Mr. HOWARD. Mr. Chairman, Mr. Dean, our Deputy Administrator for Administration, is here and Mr. Hobbs, the Director of the Bureau of National Capital Airports, is here, and I feel that it may be helpful if they could come to the table and participate in the testimony.

If I may, I would like to call upon Mr. Dean, who is the principal expert in the Agency on fiscal and corporation matters, management matters, to comment briefly on several of the points that were made this morning by the witness for the Air Transport Association because I feel that we are in a position to clarify many of these points for the committee right now.

Mr. WILLIAMS. Before you recognize him, may I interrupt you just a moment?

It was stated by Mr. Durand in the last paragraph that his association, and I quote now—

would be glad to work with the committee's staff and the FAA in reviewing these amendments in detail.

They are the amendments which they have suggested. For the information of those present, the record on this legislation will be kept open for a reasonable length of time and I am sure that within that time the FAA will have an opportunity to discuss these with the ATA people and with members of our staff and members of the committee.

Mr. Dean.

Mr. DEAN. Thank you, Mr. Chairman.

I would like at the outset to mention to the committee that the Federal Aviation Agency did not develop the proposed bill entirely in a vacuum. During the preparation of the bill as originally submitted to the preceding Congress and the bill which is now before you, meetings were held with representatives of the various airlines and officials of the Air Transport Association, as well as representatives of various interested Federal agencies, in an effort to secure a bill which would most effectively serve the needs of the agency, and the taxpayers of the United States, and the users of the airport.

As a result of these discussions, a number of amendments were incorporated in the bill. There remain the suggested amendments which the Air Transport Association has presented today.

Before discussing them individually, I would like to say that there is nothing in the corporation bill, as proposed, which would enable the agency to charge higher fees or to be more arbitrary in its dealings with the users of the airport than now would be possible under the existing authority.

Furthermore, some of the basic principles of the corporation bill, such as that providing for self-sustaining operation, have again and again been stressed by the Committees on Appropriations and other committees of the Congress, and are guiding principles now for the agency.

Basically, the Corporation bill simply establishes a new management structure designed to conduct commercial operations and designed to deal effectively with the complexities of a situation in which we will have two large airports with a very large volume of business type transactions.

I should also like to stress that we understand the reasons for most of the amendments presented by the Air Transport Association and are very sympathetic with the basic purpose which that association has in mind, namely, that it be protected from unreasonable levels of charges and fees, and with this we are in complete accord.

To discuss specifically the various amendments which have been proposed, I might turn to page 5 of their draft where significant amendments to section 5 of the bill are suggested.

Mr. WILLIAMS. You are referring to the testimony of Mr. Durand?

Mr. DEAN. Yes, the testimony which Mr. Durand presented this morning.

The amendments to section 5, as presented on page 5 of the ATA testimony for the most part present no problem as far as the Agency is concerned. They recognize the fact that this airport should, in terms of essential services provided, be self-sustaining. We, ourselves, agree completely with the second point, that is, that rates and charges shall be fair and reasonable.

Mr. WILLIAMS. Did I understand you to say you agreed with the first point?

Mr. DEAN. The first point we do not agree with, Mr. Chairman, for this reason.

The Corporation will have a single fund in which all the assets will be placed and into which all of the revenues will be deposited. We will keep separate accounting of the sources of these revenues, and the purposes of expenditures. So we will from an accounting standpoint know what is involved in the international airport and what is in-

volved in the national airport. However, the proposed statutory language could disrupt the use of a single fund and could prevent the effective use of the total revenues of the Corporation.

We understand that there is a fear that we might use profits from WNA to subsidize the Washington International Airport, which obviously, will take some time before it is on a self-sustaining basis. We would say as a matter of policy, and we would have no objection to legislative history making this clear, that we will not raise fees at any airport for the purpose of bailing out another airport, and we are quite agreeable to any approach that makes that clear.

Now, proceeding to the second subsection of section 5 as proposed by ATA. If the language were slightly changed to say that rates and charges shall be fair and reasonable and shall give due regard to charges imposed at comparable airports at other points in the United States, we would accept this either as language in the act or as a comment that the committee report might wish to include for guidance to the Corporation.

Mr. JARMAN. May I ask a question, Mr. Chairman?

Mr. DEAN. Surely, Mr. Jarman.

Mr. JARMAN. Mr. Dean, would it be your thought that the fees and charges at the Dulles International Airport would be in line with those imposed at Washington National Airport and Friendship? At this time, do you anticipate that they will be higher, or that they will be comparably in line based on the size of operation there?

Mr. DEAN. Mr. Jarman, at the present time the landing fees at WNA are somewhat lower than those at Friendship. Negotiations are now underway which will raise the fees at WNA, and this will occur under the existing organization. We would say that in general, taking into account the investment of the Corporation, fees will not be noncompetitive, that is, they will not be extraordinarily low or extraordinarily high in comparison with other major airports.

I think this will be a guide that the agency will use with common-sense.

Mr. Chairman, returning to the subsection (3) of section 5, we and ATA are in agreement on the self-sustaining principle. We do have to take exception, however, to some portions of their suggestions.

With respect to (3) (a), we have worked from the outset to attempt to assure that the capital base of the airport will not be unfair and will not include special features which should not normally be part of an airport base. Yesterday the Administrator, Mr. Halaby, announced that he and the Secretary of the Interior have made progress in reaching an agreement for the transfer of the access road, which is a very substantial investment and is a unique feature, to the Department of the Interior.

The agency has desired from the outset to exclude special features of this type and to assure that they do not fall in the capital base of the airport. We doubt whether the language proposed by ATA is necessary, but the principle I have stated will guide the agency.

Mr. WILLIAMS. May I ask you a question about that road?

Mr. DEAN. Yes, sir.

Mr. WILLIAMS. Is it contemplated that that will be a toll road?

Mr. DEAN. The present thinking of the agency is that it would not be a toll road. If it goes to the Department of the Interior, as is now

probable, it will be maintained as an attractive parkway, as a part of the National Capital area parkway system, as a free road.

Of course, parking facilities at the airport will not be free.

Mr. WILLIAMS. I understand.

Mr. DEAN. With respect to the proposed subsection (3) (b) which would exclude grants in aid from the capital base, the act itself contemplates, and this will help answer Mr. Friedel's earlier questions to Mr. Durand, that the portion of the cost of the airport which would be financed under Federal-aid to airport legislation, if it had been an airport built by a local authority, will not be subject to the payment of interest as a part of the investment. This is clearly necessary, or there would not be a reasonable relationship between the capital base of the international airport at Chantilly, and other airports built with assistance under the Federal Airport Act. The agency is encouraging local authorities not to depreciate investment financed by grants and they naturally do not have to pay interest on the portion of the cost of an airport that comes from a Federal grant.

I do not know whether this answers fully Mr. Friedel's point.

Mr. FRIEDEL. I think it does. I could not see how this section (b) would pertain to the corporation bill.

Do you think this amendment is necessary?

Mr. DEAN. We do not, sir. We do not feel that it makes any particular contribution to the bill.

Mr. FRIEDEL. That was my opinion.

Mr. WILLIAMS. Did I understand that this is surplus? In other words, you do not have too much objection to including it, but you see no necessity for it; is that right?

Mr. DEAN. This would be exactly stating it, Mr. Chairman.

With respect to (3) (c), which would exclude capacity in excess of current use, we simply could not agree with such an approach. It would be so completely out of keeping with the general practice under which the other airports operate that the Congress itself would probably object if we tried to adopt the ATA proposal.

When a public authority builds an airport and secures financing for it, that public authority must pay for capacity which may not be used for several years, expecting that in future years the revenues will offset the losses during the early period.

We do not, therefore, feel that the bill should prohibit including capacity in excess of current use, but we do recognize this: that it is entirely possible that in spite of the projected increases in traffic there will be a period in which the International Airport at Chantilly does not have full use. If it should develop that deficits during this period make such a heavy drain on the fund of the Corporation that it would be unfair to make up for the losses from fees, there is authority in the bill for deficit appropriations. Any deficit appropriations would be requested of the Congress in the regular appropriations procedure. The Congress would review the requests, study all the facts, and act on them. We thus feel that the users are completely protected from a situation in which the corporation in desperation would be forced to raise fees to an unreasonable level simply to make up for the cost of temporarily excess capacity of a new airport.

With respect to the proposal that appears at the very bottom of page 5, Mr. Chairman, we again would have to say this could not be agreed to by the agency or by the U.S. Government.

Mr. WILLIAMS. Are you speaking of No. (5) or No. (4)?

Mr. DEAN. No. (5), sir.

Mr. WILLIAMS. Have you covered No. (4)?

Mr. DEAN. No. (4), relating to the duty of the Administrator to promote aeronautics, is covered already by the Federal Aviation Act which contains this language. We would certainly not object to a restatement of it in the Corporation Act. It is simply surplus language.

No. (5) would require the Corporation to submit disagreements over charges to arbitration. The Federal Arbitration Act, as we understand it, is available for persons who wish to use the legislation in connection with largely private matters. We looked into this at the time this was first proposed by the Air Transport Association, and do not find comparable examples of an instrumentality of the United States subjecting itself to arbitration pursuant to that act in connection with dealings with one of its customers in a corporate capacity.

We would feel that the Congress itself would not wish this. It would be exceedingly unusual as a provision of law. We do not think it applies to any of the other 15 Government corporations in existence and feel that the committee would not wish to accept that proposal.

Mr. WILLIAMS. Is there any precedent for this kind of provision? Do you know of any precedent in law, Mr. Howard?

Mr. HOWARD. Mr. Chairman, I do not know of any precedent for subjecting the Federal Government, as one of the parties to a dispute, to a determination by an outside-the-Government entity for the purpose of resolving the difference. There are obviously many applications of the Federal Arbitration Act, but as far as I know, they are confined to other entities than the Federal Government.

Mr. WILLIAMS. Insofar as you know, there is no precedent for this type of thing?

Mr. HOWARD. I know of none, personally.

Mr. DEAN. Mr. Chairman, going to page 6 of the ATA testimony, that is, to the proposed amendment in the center of the page relating to access roads, I believe that this point is now adequately covered both by the permissive transfer authority that is in the present bill and by the announced intentions of the Secretary of the Interior and the Federal Aviation Administrator. It has been the position of the Agency from the beginning that the access road should not be included in the rate base.

We would not object to the ATA language being incorporated in the bill, but as a matter of course, as we have just noted, we expect that the access road will be taken out of the capital base of the airport.

The amendment which is proposed at the top of page 7 and discussed at the bottom of page 6 would require that charges be fair and reasonable and that contract terms be arrived at by negotiation with the carriers. We certainly wish to operate in the manner contemplated by this language.

The fees and charges applicable to the air carriers would be arrived at by negotiation, which is the method which is used at the present time. They will be fair and reasonable within whatever standards can possibly be stated in the legislative history, taking into account the self-sustaining objective and taking into account other airport practices throughout the Nation.

Mr. WILLIAMS. Is there anything in the bill, or would this kind of language be necessary, that would eliminate the possibility of making a distinction between the charges and fees among airlines? In other words, is there anything in the bill that would prevent you from charging, say, just to use a round figure, hypothetically speaking, a \$10 landing fee for National Airlines and letting Allegheny off with a \$5 landing fee, or that type of thing?

Mr. DEAN. Subject to further comment from our General Counsel, I believe it is fair to say that the bill at the present time would permit the Corporation to distinguish, if it chose, between volumes of operations or other characteristics which might vary from airline to airline. It would be conceivable that, if the Corporation wished to adopt the policy of reflecting volume operations, there could be some differences.

I want to stress that we are only talking about the authority to do this. We would assume, and Mr. Hobbs may wish to comment on the practices of the present Bureau of National Capital Airports, that the corporation will follow an equitable practice in the light of the conditions under which they have to operate these two airports.

Mr. HOBBS. I have nothing to add to that, Mr. Williams. That is a firm statement.

Mr. HOWARD. On the specific question as to whether the bill now contains suitable language, I think Mr. Dean is quite correct that there is nothing specific on this point. Frankly, our willingness to accept a standard of fairness and reasonableness would seem to me to cover the situation as to reasonable differences that might be justified by volume transactions or rates of use of certain facilities; so with the inclusion of a fair and reasonable standard, I think the problem is solved. We are certainly prepared to accept such a provision.

Mr. DEAN. Proceeding, then, Mr. Chairman, to the amendment shown at the top of page 8 and discussed on the bottom of page 7, we have provided for this Advisory Board to assure that the General Manager and the Administrator would have the benefit of advice from persons, including at least one familiar with airport operations, able to provide informed comment, guidance, and assistance to the Administrator and the Manager.

We have not incorporated in the bill the ponderous requirement that the Administrator or General Manager be required to advise the Advisory Board in writing and in detail of reasons for not accepting its recommendations. We feel such a requirement would do much to destroy effective relationships between the Administrator and the Board. For that Board to be highly effective it must be able to deal with the Administrator in terms of mutual confidence and a free exchange of ideas. To insert a prescribed form of writing formally to the Board in detail might do more damage to the effective use of the Board in its advisory capacity than it would help. This type of provision is not very fundamental to the Corporation, and we simply present our view on it to the committee for its consideration.

With respect to the access road provision appearing again at the top of page 9, I have already commented on it.

With respect to the amendment appearing at the top of page 10, I believe we have covered it in our previous remarks. We would simply not agree to this because this would be contrary to the general practice at most airports.

Farther down on page 10 is another proposed amendment which reads as follows:

such local share shall be computed on the depreciated cost of the airport as of the year in which the interest payment is made.

The way the fund will operate will permit the accomplishment of what ATA proposes. Any payments into the fund which are depreciation payments will reduce the amount of money that must be transferred to the fund from the appropriation. Since only money in the fund is subject to interest, this mechanism will in the long run take account of the depreciation payments, and the entire rate base of the airport will be affected accordingly.

With respect to rules and regulations of the General Manager not impairing any contract or lease previously entered into by the Corporation with any aeronautical user of the airport, our General Counsel, Mr. Howard, may wish to comment on this. Basically, the Corporation is not operating in the sovereign capacity of the United States and will be bound by its contracts.

When it enters into a contract it can be sued like any other business entity if an illegal breach of contract is attempted by the Corporation. Moreover, the language proposed by ATA does not accomplish very much because the individual contracts could have written into them such provision for amendment as the Corporation found necessary or desirable.

Mr. Howard?

Mr. HOWARD. Mr. Chairman, I might add one observation on this. As you and the committee are well aware, as experts in the field of aviation, many, many problems arise in operating an airport that are unforeseen at the time that a contract is entered into. We have all seen the noise problem evolve, for example, at an airport. As a landlord running a piece of property, airport authorities find it necessary to control the use of the property in certain ways that it is impossible to foresee in all their details at the time they enter into leases. This is the typical saving clause, you might say, for that kind of operational flexibility; and I think that the language that is proposed is acceptable. But I think that the Air Transport Association and users would have to be prepared to have a clause in their lease saying that the lease is subject to such reasonable rules and regulations as are thereafter adopted, because otherwise, the owner or landlord is barred from managing his property.

Mr. WILLIAMS. I would think, and you correct me if I am wrong, if any rule or regulation is to be promulgated subsequent to the time a contract is entered into which should be in conflict with the terms of that contract, it would necessarily be null and void as to that particular contract, would it not?

Mr. HOWARD. That is correct, unless the contract itself makes some provision for its being subject to such later rule or regulation, which a reasonable and effective management of an airport property would require, it seems to me.

Mr. DEAN. Mr. Chairman, in closing, I have only two general comments, having gone over the individual amendments.

The first refers to the statement at the bottom of the first page of Mr. Durand's testimony relating to administrative expense. I wish the record to show, as we discussed with the committee yesterday,

the fact that we will be bound by civil service laws and regulations and that we will operate this Corporation with no greater administrative cost than would be required by an ordinary agency or bureau. Because of the flexibility of corporate management, in the long run we think we can do the job more economically under the Corporation than we can under the present Bureau of National Capital Airports.

Secondly, with respect to the monumental characteristics of the international airport, we wish to emphasize that if there is anything that is identifiable in this airport which is being built or installed for the purpose of giving it the character of a national monument as opposed to effectively serving the users of the airport, we will be among the most aggressive in urging the Director of the Bureau of the Budget to approve exclusion of such features from the capital base. We would welcome any expression of committee sentiment in the committee report along these lines.

I do not think it is something that can easily be handled with legislative text, and this, Mr. Chairman, concluded our comments.

We would be glad to talk further with the committee members, the committee staff, and will, of course, continue to discuss these various points with the Air Transport Association and airline representatives in an effort to get a larger measure of agreement on the bill.

Mr. WILLIAMS. Thank you. Does that conclude your testimony?

Mr. DEAN. Yes, sir.

Mr. HOWARD. Mr. Chairman, I might bring one final matter up.

In line with your interest yesterday in the question of the Administrator's authority to effect the use of the airport by the military in time of emergency, if it is acceptable to the committee, we would like to offer an amendment which would accomplish this, which would be a very simple matter of inserting after section 12, line 25, at page 14, of the bill, the phrase "consistent with national defense requirements."

I believe this very simply and effectively takes account of the problem that you expressed an interest in yesterday.

Mr. WILLIAMS. Mr. Friedel?

Mr. FRIEDEL. No questions.

Mr. WILLIAMS. Mr. Jarman.

Mr. JARMAN. No questions.

Mr. WILLIAMS. Thank you very much.

Mr. DEAN. Thank you very much.

(Whereupon the committee proceeded to other business.)

NATIONAL CAPITAL AIRPORTS

WEDNESDAY, JULY 19, 1961

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met, pursuant to other business, in room 1334, House Office Building, Hon. Samuel N. Friedel presiding.

Mr. FRIEDEL. The subcommittee has another bill relating to Washington National Airport on its schedule this morning. This is H.R. 7398, relating to concessions at the airport, introduced by Mr. Williams, chairman of the subcommittee, at the request of the Federal Aviation Agency.

The proposed legislation would permit the making of a long-term lease for a hotel at the airport. If H.R. 7399, to establish an Airports Corporation, is enacted, H.R. 7398 would not be necessary, but the subcommittee desires to hear testimony regarding the need for long-term leases on major construction projects, as proposed.

(H.R. 7398 and reports thereon follow:)

[H.R. 7398, 87th Cong., 1st sess.]

A BILL To amend the Act of October 9, 1940 (54 Stat. 1030, 1039), in order to increase the periods for which agreements for the operation of certain concessions may be granted at the Washington National Airport, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act making supplemental appropriations for the support of the Government for the fiscal year ending June 30, 1941, and for other purposes", approved October 9, 1940 (54 Stat. 1030, 1039), is amended as follows:

By striking the period in the proviso at the end of the first paragraph under the heading "Administrator of Civil Aeronautics" in the appropriations listed for the Department of Commerce (54 Stat. 1039), and by inserting the following phrase after the words "except the restaurant": ", and concessions involving the construction or installation by the party contracting with the Government of buildings or facilities costing in excess of \$50,000".

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 28, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

MY DEAR MR. CHAIRMAN: This is in reply to your request of June 12, 1961, for a report on H.R. 7398, a bill to amend the act of October 9, 1940 (54 Stat. 1030, 1039), in order to increase the periods for which agreements for the operation of certain concessions may be granted at the Washington National Airport, and for other purposes.

The bill would exempt agreements for concessions at the Washington National Airport involving the construction or installation by the party contracting with the Government of buildings or facilities costing more than \$50,000 from the provision of law limiting such agreements to 5 years or less. The bill is designed to allow long-term leases of land for the construction of a hotel, rental car maintenance buildings, in-flight commissary buildings, or similar revenue-producing concessions.

The Bureau of the Budget has no objection to the enactment of the bill from the standpoint of the administration's program.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., July 11, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This letter is in reply to your request of June 12, 1961, for the views of this Department with respect to H.R. 7398, a bill to amend the act of October 9, 1940 (54 Stat. 1030, 1039), in order to increase the periods for which agreements for the operation of certain concessions may be granted at the Washington National Airport, and for other purposes.

The bill is concerned with matters primarily within the purview of the Federal Aviation Agency. This Department's interest is too remote to support any comments of substantive value.

Sincerely,

ROBERT E. GILES.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., June 11, 1961.

HON. OREN HARRIS,
*Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Your letter of June 12, 1961, requested the views of the General Services Administration on H.R. 7398, 87th Congress, a bill to amend the act of October 9, 1940 (54 Stat. 1030, 1039), in order to increase the periods for which agreements for the operation of certain concessions may be granted at the Washington National Airport, and for other purposes.

The purpose of the bill is to amend the act of October 9, 1940, to permit the granting of concession agreements for the provision of services at the airport with terms of longer than 5 years in cases where such agreements involve the construction or installation by the concessionaire of buildings or facilities costing in excess of \$50,000.

Although the enactment of H.R. 7398 would not affect the functions and operations of GSA, we believe in principle in the merit of long-term leasing authority such as is proposed in the measure.

The Bureau of the Budget has advised that, from the standpoint of the administration's program, there is no objection to the submission of this report to your committee.

Sincerely yours,

JOHN L. MOORE, *Administrator.*

Mr. FRIEDEL. The letter from the Federal Aviation Agency to the Speaker of the House requesting that this legislation be introduced is as follows:

FEDERAL AVIATION AGENCY,
Washington, D.C., May 15, 1961.

HON. SAM RAYBURN,
*Speaker of the House,
Washington, D.C.*

DEAR MR. SPEAKER: It is requested that the attached proposed bill to amend the act of October 9, 1940 (54 Stat. 1030, 1039), in order to increase the periods

for which agreements for the operation of certain concessions may be granted at the Washington National Airport, and for other purposes, be introduced in the House at your earliest convenience.

At the present time the need for first-class hotel facilities and services at the Washington National Airport is becoming increasingly evident. Several private investors well known and established in the hotel industry, are extremely interested in providing this type of facility. These concerns have all made long-term proposals for the construction of a \$3 to \$5 million hotel to be located adjacent to the Washington National Airport. They have proposed a lease period of from 35 to 50 years for the purpose of borrowing long-term capital.

Under the provisions of the act entitled "An act making supplemental appropriations for the support of the Government for the fiscal year ending June 30, 1941, and for other purposes," approved October 9, 1940 (54 Stat. 1039), agreements for the operation of any concession, except the restaurant at Washington National Airport, are prohibited for a period exceeding 5 years. The construction of a permanent facility, such as a hotel of the size required by this location, represents a potential investment of several million dollars. Obviously, the 5-year lease period is not sufficient to allow for amortization of the investment.

I feel certain that the Congress can appreciate the need for an adequate first-class hotel which would serve the large number of travelers arriving at and departing from Washington National Airport. The construction of large first-class hotels at other major airports in the United States, for example the hotel located at New York International Airport, is proof that such facilities are necessary for the benefit of the traveling public.

It should be pointed out that the granting of a long-term lease for the construction of such a hotel could be an extremely profitable venture and would provide additional funds to offset the operating costs of the airport.

Other important areas may be cited in which it would be advantageous to have longer leases than are now permitted. Among them are rental car maintenance buildings and inflight commissary buildings which require considerable capital investment totaling upward of a million dollars.

Therefore, in the best interest of the Government, the 1940 Supplemental Appropriations Act should be amended as it pertains to the length of time for which leases and concessions may be granted, so that in certain cases long-term leases could be made when it appears that a substantial capital investment for the permanent construction of buildings of substantial value, such as a hotel or inflight commissary, may be required. This will be necessary before potential investors will show more than a casual interest in these much-needed facilities.

It is the considered opinion of this Agency that the proposal will provide the necessary stimulus to encourage the construction of a hotel at the Washington National Airport, providing first-class facilities for travel, and a new means of revenue to offset the cost of operating the airport. It will also enable the airport to provide necessary improvements in its inflight commissary facilities with resultant added revenues.

The Bureau of the Budget has advised that there would be no objection to the submission of this draft bill to the Congress.

Sincerely,

JAMES T. PYLE

(For N. E. Halaby, Administrator).

Mr. FRIEDEL. We have with us this morning our colleague from Florida, Congressman Dante Fascell, who has with him a constituent who has asked for time to testify on the need for H.R. 7398.

At this time we welcome our colleague, Congressman Fascell.

STATEMENT OF HON. DANTE B. FASCELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. FASCELL. Mr. Chairman and members of the committee, I appreciate your courtesy in giving me the opportunity to appear before you in behalf of H.R. 3798.

I support the bill either individually or for incorporation in the legislation to create the Corporation. I think it is obvious, from my standpoint, that long-term authority is needed to do this job.

However, in better terms than I can tell you, one of my constituents is here, Mr. Burton Cohen, who is a young man I have known for many, many years. He is a very fine lawyer.

In addition to that, he represents Airway Hotels, Inc. They are probably one of the biggest operators of this type in the country. They have locations all over. He is completely familiar with the business aspect as well as the legal aspects of this problem, and therefore, can talk directly on all of the points in which the committee would be interested, if it is going to consider the long-term authorization.

So with that, Mr. Chairman, I would like to turn the matter over to Mr. Burton Cohen.

Mr. FRIEDEL. Do you have a prepared statement?

**STATEMENT OF BURTON COHEN, AIRWAY HOTEL, INC.,
MIAMI, FLA.**

Mr. COHEN. No, sir.

Mr. Chairman and gentlemen, my name is Burton Cohen. I am the attorney for Airway Hotel, Inc., and for the period of the last 3 years I have lived very closely with the problem of constructing hotel facilities directly on airports.

Our client was the successful proponent for the hotel facility to be constructed at Dulles International Airport. We have the hotel facility directly on top and contiguous with the terminal building in Miami, Fla. We have under construction now and in preparation to open sometime in November, hotel facilities in Birmingham, Ala. We are bidding on hotel facilities to be constructed directly on terminal property at Orly Airport in Paris, France, and the same type of facility in London, England, and it has become more evident every day in modern air transportation travel that the need and necessity of hotel facilities in close proximity to the terminal is no longer a luxury, but a necessity.

This has been recognized in such places as Idlewild, Pittsburgh, Miami, Boston, San Francisco, Atlanta, San Juan, Birmingham, and Dulles International Airport. These cities now have hotel facilities directly on terminal property, or in the planning stages.

At a recent airport managers' convention in Miami, there was interest expressed for hotel facilities from Minneapolis-St. Paul; St. Louis; Denver; Amsterdam, Holland; Chicago, and Oklahoma City.

The way these hotel facilities are constructed, private capital is used. The entire cost of the construction is borne by private capital. Tax dollars are not exposed or utilized in any way, shape, or form.

At the present time, concession agreements at Washington National are limited under a prior act to a period of 5 years. For a concessionaire to come in and construct a hotel facility that will cost anywhere from \$2 to \$3 million and try to amortize his cost out of income in a period of 5 years is a physical impossibility as well as an economic impossibility.

Therefore, there is a vital need that a bill be passed to allow the Federal Aviation Agency to negotiate concession agreements in excess of the present 5-year limitation. Not only would that permit private industry to come in and build the facilities in question, but it would also generate income to the Federal Aviation Agency.

At the present time, in our operation in Miami, Fla., we are the highest paying concessionaire in the terminal. The Dade County Port Authority realizes more income from our hotel facility than any other concessionaire in the terminal.

We have found that where there are hotel facilities available in close, direct proximity to the main terminal building, travelers, transients, interchange personnel, will use these facilities. They will not leave the terminal proper, take a cab, go downtown, or go off the facilities for fear of missing their flight, or for fear of oversleeping. We call it the capturing of the lost patron.

We do not cut economically into any other competing hotel facilities because these are the individuals that would not go to a hotel if they had to leave the airport complex. The way we work it is that we have direct phone connection with all of the airlines so that when the flights are called the occupant of the room receives a call at least 15 minutes before flight time. Their bags are all checked through and they go directly to their plane, and we have received income and they have received service.

We feel that the extension of the Concessions Act, as now recommended, would enable private industry to come in and construct hotel facilities at Washington National and create an income-producing concession for the authority.

I will be glad to answer any specific questions on this subject, if the committee has any.

Mr. WILLIAMS (presiding). Thank you very much.

Mr. Friedel, do you have any questions?

Mr. FRIEDEL. No questions. I am in favor of the bill, too.

Mr. WILLIAMS. Mr. Devine.

Mr. DEVINE. No questions, Mr. Chairman.

Mr. WILLIAMS. Mr. Jarman.

Mr. JARMAN. No questions.

Mr. WILLIAMS. As we understand it, this bill would not be necessary, if the legislation which is currently under consideration by this committee to form a National Capital Airport Corporation, should be enacted. We are very happy to have your testimony, however, and in the event the committee should decide against the Corporation bill, of course, the committee will give very serious consideration to this legislation.

Thank you very much.

Mr. COHEN. Thank you very much, Mr. Chairman.

Mr. WILLIAMS. I believe that concludes the testimony this morning.

The committee will adjourn.

(Whereupon, at 11:35 a.m., the subcommittee adjourned.)

